S. HRG. 99-338

TRANSFER OF NATIONAL AND DULLES AIRPORTS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON AVIATION

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

S. 1017

TO PROVIDE FOR THE TRANSFER OF THE METROPOLITAN WASHINGTON AIRPORTS TO AN INDEPENDENT AIRPORT AUTHORITY

S. 1110

TO PROVIDE FOR THE AWARD OF GRANTS TO THE WASHINGTON METROPOLITAN AIRPORTS FOR CERTAIN CAPITAL EXPENDITURES

JUNE 26 AND JULY 11, 1985

Printed for the use of the
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CONTENTS

	Page
Opening statement by Senator Kassebaum	1
Opening statement by Senator Trible	1
Opening statement by Senator Hollings	2
Text of bills:	
S. 1017	4
S. 1110	28

CHRONOLOGICAL LIST OF WITNESSES

JUNE 26, 1985

Baker, John L., president, Aircraft Owners & Pilots Association	127
Clark, David, chairman; and Betty Ann Kane, member, D.C. City Council	124
Dole, Hon. Elizabeth Hanford, Secretary, Department of Transportation; accompanied by Linwood Holton, chairman, Advisory Commission on the Reorganization of the Metropolitan Washington Airports; and James Wilding, director, Metropolitan Washington Airports	40
Prepared statements:	
Secretary Dole	44
Letter of August 5, 1985	72
Questions of Senator Hollings and the answers	76
Questions of Senator Rockefeller and the answers	77
Administrator Engen	49
Halaby, Najeeb, president, Halaby International Corp.; and John McLucas, executive vice president, Communications Satellite Corp	133
Prepared statement	137
Mathias, Hon. Charles McC., Jr., U.S. Senator from Maryland	30
Pfeiffer, Edwin, vice president and general manager, WDVM-TV	130
Sarbanes, Hon. Paul S., U.S. Senator from Maryland; Hon. Harry Hughes, Governor, State of Maryland; Hon. Marion Barry, Mayor, District of Columbia; and Hon. Beverly B. Byron, U.S. Representative from Maryland	97
Prepared statements:	
Senator Sarbanes	98
Governor Hughes	102
Trible, Hon. Paul S., Jr., U.S. Senator from Virginia; Hon. Charles S. Robb, Governor, State of Virginia; Hon. Stan Parris and Hon. Frank R. Wolf, U.S. Representatives from Virginia	78
Prepared statements:	
Governor Robb	82
Representative Parris	85
Representative Wolf	87
Warner, Hon. John W., U.S. Senator from Virginia	32
Prepared statement	33

JULY 11, 1985

Herrity, Jack, chairman, Fairfax County Board of Supervisors; James P. Moran, Jr., Mayor, city of Alexandria; John G. Milliken, chairman, Arlington County Board; and Ann B. Kavanagh, Loudon County Board of Supervisors	157
Ignatius, Paul R., president, Air Transport Association, accompanied by James T. Murphy, vice president	141
Prepared statement	155
Questions of Senator Hollings and the answers	156
Questions of Senator Rockefeller and the answers	156

McGeady, Eamonn, Greater Baltimore Committee 191
Williams, Carrington, Washington Dulles Task Force; John Oberdorfer, counsel, Coalition for National Airport; and Frank Ikard, Airport Policy Task Force of the Greater Washington Board of Trade 164
Prepared statements;
Mr. Williams 166
Mr. Oberdorfer 172
Mr. Ikard 177
Wood, Fred B., copresident, Washington Airports Council; Thomas White, president, Fairfax County Federation of Citizens Associations; and Kenneth Ingram, president, Arlington County Civic Association 181
Prepared statement 183

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Arlington Chamber of Commerce, statement 206
Chabot, Philip, statement 199
Coleman, William T., Jr., statement 196
Fischer, John W., Analyst in Transportation, Economics Division, CRS, Library of Congress, letter 213
Gager, John Chapman, assistant secretary, Old Town Yacht Basin, Inc., letter 212
Griggs, Col. Leonard L., director of airports, St. Louis, MO., statement 206
Lawrence, Benjamin, statement 204
Maryland Chamber of Commerce, statement 198
National Business Aircraft Association, Inc., statement 211
Overbeck, Gene E., senior vice president, Government Affairs, American Airlines, Inc., statement 202
Reiber, Paul, president, Committee for Dulles, letter 215
Scott, Kenneth R., executive director, Norfolk Port and Industrial Authority, statement 205
Ticer, Patricia S., chairman, Northern Virginia Planning District Commission, letter 212
Transfer of the Metropolitan Washington Airports, fact sheet 208
Volpe, John A., letter 204
Zorinsky, Hon. Edward, U.S. Senator from Nebraska, statement 195

TRANSFER OF NATIONAL AND DULLES AIRPORTS

WEDNESDAY, JUNE 26, 1985

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON AVIATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m. in room SR-253, Russell Senate Office Building, Hon. Nancy Kassebaum, (chairman of the subcommittee) presiding.

Staff members assigned to these hearings: Steve Johnson and Chuck Doyle, staff counsels; and Steve Palmer, minority professional staff member.

OPENING STATEMENT BY SENATOR KASSEBAUM

Senator KASSEBAUM. The hearing will come to order.

It's a pleasure to convene this hearing this morning on S. 1017 and S. 1110, the transfer of National and Dulles Airports. I would just like to say first, I certainly commend Secretary of Transportation Elizabeth Dole for her leadership in appointing a commission which has done I think an extraordinary job of putting together a very thoughtful recommendation on the transfer of National and Dulles Airports to their own regional local authority. I personally believe this is a very farsighted and perhaps long overdue step to take.

Let me say first, Senator Trible, do you have any opening comments?

OPENING STATEMENT BY SENATOR TRIBLE

Senator TRIBLE. Madam Chairwoman, this is an issue of surpassing importance to the people of the entire Washington metropolitan area. I am pleased these hearings will now begin. I look forward to focusing on the merits of this legislation, which I believe are convincing. And I would note that it is not often when the people and the elected officials of Virginia and the District of Columbia stand united in purpose, but this is such a day.

I thank you for the opportunity to make our case.

Senator KASSEBAUM. Senator Inouye.

Senator INOUYE. Madam Chair, I have friends on both sides of the issue. Something tells me that I should have gone to the Appropriations Committee meeting, but I am pleased to be here. It is an important issue.

Senator KASSEBAUM. Thank you.

Senator Hollings.

OPENING STATEMENT BY SENATOR HOLLINGS

Senator HOLLINGS. Madam Chairman, today the Aviation Subcommittee meets to hear testimony on a most important issue—the future of Washington's National and Dulles Airports.

I believe just about everyone here in this room will agree with me when I say that the current situation at National Airport is a mess. This facility handles almost 15 million passengers a year—40,000 a day. Yet it is hardly able to meet this demand. The road system is terrible, the parking is inadequate and the terminals are cramped and archaic. Over at Dulles, we have a fine facility which is handling more passengers every year. But this growth won't continue without substantial capital improvements and expansion.

The Metropolitan Washington airports were constructed by the Federal Government with the objective of ensuring quality service to the Nation's Capital as well as to set an example of excellence in aviation. And, for many years, these goals were fulfilled. However, unlike other public airports, neither National nor Dulles is eligible for Airport Improvement Program [AIP] moneys, which are generated by aviation user fees and deposited into the Aviation Trust Fund. They rely directly on general revenues. Thus, the passage of time and the unwillingness of recent administrations to request development funds for these airports have taken their toll.

Clearly then, it is time for Congress to act in the interest of all who use National and Dulles airports. The two proposals before the subcommittee today present us with a very clear choice of directions. We can follow the Secretary of Transportation's recommendation and transfer the airports to a local authority, ridding the Federal Government of responsibility, and—in effect—casting their fate to the wind. Or we can take the simple and decisive step of appropriating Aviation Trust Fund moneys for major rehabilitation and expansion projects at both airports, such as I have proposed.

Implicit in the Secretary's argument is the proposition that these needed improvements are forthcoming if the Federal Government would just get out of the business of operating airports. She explicitly states that if we were to transfer National and Dulles over to a local authority, then the new owners would have the power to issue tax-exempt bonds.

Several thoughts come to mind. First, if the Secretary believes that her proposed transfer will get the Federal Government off the financial hook, she had better look again. If tax-exempt bonds are issued for capital improvements at the airports, we'll still be footing the bill in the form of foregone revenues rather than direct appropriations.

Second, what does the future hold for tax-exempt bonds? Under the President's tax-simplification plan, most airport projects would no longer be eligible for tax-exempt funding. If Congress implements both this and the Secretary's plan, the local authority would have very little money to rely on for capital development. And any development that might occur would cost air travelers an arm and a leg.

Which brings me to my final point. What guarantees do we have that a local authority would pursue such a course with all due speed? According to the Secretary, we have a serious situation here. These airports, which serve the seat of Government in the world's most important Nation, are in dire need of immediate rehabilitation and expansion. Is now the proper time to abandon the traditional Federal role in the operation of National and Dulles? I think not.

I see only two certainties arising from this trnsfer proposal. One, it will allow the Secretary of Transportation to drop a political hot potato. And two, it will relieve Congress from having to deal head on with the airport refurbishment issue. For that alone it shoud be popular around here. No one likes to make tough decisions anyone.

I, for one, am not going to let it get by that easily. My bill, S. 1110, would appropriate $250 million in Aviation Trust Fund moneys for upgrading facilities at National and adding the badly needed midfield terminal at Dulles. Under this legislation, the Federal Government would keep control of the two airports, and Congress would make the financial commitment necessary to ensure excellence in aviation in the Washington metropolitan area in the years to come.

This commitment may not even be as difficult as it sounds. The Aviation Trust Fund currently holds some $7 billion. That money cannot be used for any purpose other than aviation development and modernization, so my proposal would tap that resource and put a small part of it to productive use at National and Dulles.

In sum, I urge the committee not to adopt the "no-fault government" approach of the Transportation Secretary. We know that these two airports need major improvements. We know that it will cost a lot of money. And we know that we must act soon. Let's not pass the buck to a local authority—one which doesn't even exist right now—just because we don't have the courage to solve the problem ourselves. Let's get down to work and rebuild National and Dulles.

Madam Chairman, I appreciate the opportunity to make this statement and want to especially thank you and the subcommittee's ranking Democrat, Jim Exon, for the chance to appear here today.

[The bills follow:]

99TH CONGRESS
1ST SESSION

S. 1017

To provide for the transfer of the Metropolitan Washington Airports to an independent airport authority.

IN THE SENATE OF THE UNITED STATES

APRIL 26 (legislative day, APRIL 15), 1985

Mr. WARNER (for Mr. DANFORTH) (for himself and Mr. TRIBLE) (by request) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

To provide for the transfer of the Metropolitan Washington Airports to an independent airport authority.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That this Act may be cited as the "Metropolitan Washington Airports Transfer Act of 1985".

TABLE OF CONTENTS

Sec. 2. Findings.
Sec. 3. Purpose.
Sec. 4. Definitions.
Sec. 5. Transfer of Metropolitan Washington Airports and personnel.
Sec. 6. Independent Airports Authority.
Sec. 7. Minimum terms and conditions of lease.
Sec. 8. Federal employees at National and Dulles Airports.
Sec. 9. Relationship to and effect of other laws; appropriations.
Sec. 10. Conclusion of the full term of the lease.
Sec. 11. Separability.
Sec. 12. Effective date.

FINDINGS

SEC. 2. The Congress finds that—

(a) the two federally owned airports in the metropolitan area of Washington, District of Columbia, constitute an important and growing part of the commerce, transportation, and economic patterns of the Commonwealth of Virginia, the District of Columbia, and the surrounding region;

(b) the Federal Government has a continuing but limited interest in the operation of these airports, which serve the travel and cargo needs of the entire Metropolitan Washington region as well as the District of Columbia as the national seat of government;

(c) operation of the Metropolitan Washington Airports by an independent local agency will facilitate timely improvements at both airports to meet the growing demand of interstate air transportation occasioned by the Airline Deregulation Act of 1978;

(d) all other major air carrier airports in the United States are operated by public entities at the State, regional, or local level;

(e) any change in status of the two airports must take into account the interests of nearby communities, the traveling public, air carriers, general aviation, airport employees, and other interested groups, as well as

the interests of the Federal Government and State governments involved;

(f) in recognition of the limited need for a Federal role in the management of these airports and the growing local interest, the Secretary of Transportation has recommended a transfer of authority from the Federal to the local/State level that is consistent with the management of major airports elsewhere in the Nation;

(g) a commission of congressional, State, and local officials and aviation representatives has recommended to the Secretary of Transportation that transfer of the federally owned airports be as a unit to an independent authority to be created by the Commonwealth of Virginia and the District of Columbia; and

(h) adequate congressional oversight of airport operation and development in the Federal interest can be provided through a lease-transfer mechanism which also provides for increased local control and operation.

PURPOSE

SEC. 3. It is therefore declared to be the purpose of the Congress in this Act to authorize the transfer under long-term lease of the two Metropolitan Washington Airport properties as a unit, including access highways and other related facilities, to a properly constituted independent airport authority to be created by the Commonwealth of Virginia and the District of Columbia, in order to achieve local control

(e) "Secretary" means the Secretary of the United States Department of Transportation;

(f) "Washington Dulles International Airport" means the airport constructed under the Act entitled "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", approved September 7, 1950 (64 Stat. 770); and

(g) "Washington National Airport" means the airport described in the Act entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes", approved June 29, 1940 (54 Stat. 686).

TRANSFER OF METROPOLITAN WASHINGTON AIRPORTS AND PERSONNEL

SEC. 5. The Secretary is hereby authorized and directed to undertake all necessary actions to negotiate a long-term lease and related agreement for the transfer of authority over the Metropolitan Washington Airports and transfer of employees to a single, independent airport authority that conforms to the requirements for an "Airports Authority" set forth in section 6 of this Act. Authority to enter into a lease and agreement under this Act shall lapse two years following enactment.

(a) CONSIDERATION.—(1) Basic lease payments shall be sufficient to repay to the United States the amount of

over the management, operation, and development of these important transportation assets.

DEFINITIONS

SEC. 4. DEFINITIONS.—In this Act, the term—

(a) "Airports Authority" means the Metropolitan Washington Airports Authority, an agency to be created by the Commonwealth of Virginia and the District of Columbia consistent with the requirements of section 6 of this Act, for the purpose of operating the Metropolitan Washington Airports under the terms of the lease and transfer agreed to in accordance with this Act;

(b) "date of transfer" means the date established for transfer by the Secretary and memorialized in the lease authorized by section 5 of this Act;

(c) "employees" means all permanent Federal Aviation Administration personnel employed on the date of transfer by the Metropolitan Washington Airports, an organization within the Federal Aviation Administration;

(d) "Metropolitan Washington Airports" means Washington National Airport and Washington Dulles International Airport, and includes the Dulles Airport Access Highway and Right-of-way, including the extension between the Interstate Routes I–495 and I–66;

hypothetical indebtedness of the Metropolitan Washington Airports to the Treasury, as determined by the Federal Aviation Administration as of the date of transfer in accordance with appropriate Federal financial directives, and at the imputed interest rate for such indebtedness on that date, within thirty-five years.

(2) In addition to the consideration required for lease and acquisition of the Metropolitan Washington Airports under paragraph (1) of this subsection, the Airports Authority shall, not later than one year after the date of transfer, pay to the Treasury of the United States, to be deposited to the credit of the Civil Service Retirement and Disability Fund, an amount determined appropriate by the Office of Personnel Management to represent the actual added costs incurred by the Fund due to discontinued service retirement under section 8336(d)(1) of title 5, United States Code, and an amount to represent the present value of the difference between (1) the future cost of benefits payable from the Fund and due the employees covered under subsection 8(e) of this Act that are attributable to the period of employment following the date of transfer, and (2) the future contributions that will be made by the employees and the Airports Authority under subsection 8(e) of this Act. In determining the amount due, the Office of Personnel Management shall take into consideration the

actual interest such amount can be expected to earn when invested in the Treasury of the United States.

(b) FEDERAL EMPLOYEES.—Transfer of employees shall conform to the requirements of section 8 of this Act.

(c) REAL PROPERTY.—The lease of the real property that constitutes Washington Dulles International Airport and Washington National Airport, including access highways and any other facilities related to the airports, shall include provisions that conform to the requirements of section 7 of this Act and shall further meet the following conditions:

(1) Operation, maintenance, protection, promotion, and development of the Metropolitan Washington Airports as a unit and as primary airports serving the Metropolitan Washington area; and

(2) Such terms and conditions applicable to the parties to the lease as are consistent with and carry out the provisions of this Act.

(d) OTHER PROPERTY.—The transfer of all Federal property held by the Metropolitan Washington Airports not described in subsection (c) of this section shall be consistent with the provisions of this Act.

INDEPENDENT AIRPORTS AUTHORITY

SEC. 6. The Airports Authority, as defined in section 4 of this Act, shall be a public body corporate and politic, having the powers and jurisdiction as are conferred upon it jointly by the legislative authority of the Commonwealth of

Virginia and the District of Columbia or by either of the jurisdictions and concurred in by the legislative authority of the other jurisdiction, but at a minimum shall be—

(a) authorized to acquire, maintain, improve, operate, protect, and promote the Metropolitan Washington Airports for public purposes;

(b) independent of the State and local governments of the two jurisdictions;

(c) authorized to issue bonds from time to time in its discretion for public purposes, including the purpose of paying all or any part of the cost of airport improvements, construction, rehabilitation, and the acquisition of real and personal property, including operating equipment for the airports, which bonds—

(1) shall not constitute a debt of either jurisdiction or a political subdivision thereof, and

(2) may be secured by the Airports Authority's revenues generally, or exclusively from the income and revenues of certain designated projects whether or not they are financed in whole or part from the proceeds of such bonds;

(d) authorized to acquire real and personal property by purchase, lease, transfer, or exchange, and to exercise powers of eminent domain within the Commonwealth of Virginia;

(e) a corporation constituted solely to operate both Metropolitan Washington Airports as primary airports serving the Metropolitan Washington area;

(f) authorized to levy fees or other charges: *Provided,* That all revenues generated by the airports will be expended for the capital or operating costs of the airports;

(g) authorized to make and maintain agreements with employee organizations to the extent that the Federal Aviation Administration is so authorized on the date of enactment of this Act;

(h) subject to a conflict-of-interest provision providing that members of the board and their immediate families may not be employed by or otherwise hold a substantial financial interest in any enterprise that has or is seeking a contract or agreement with the Airports Authority or is an aeronautical, aviation services, or airport services enterprise that otherwise has interests that can be directly affected by the Airports Authority. Exceptions to this requirement may be made by the official appointing a member at the time the member is appointed: *Provided,* That any such interest is fully disclosed and the member does not participate in board decisions that directly affect such interest. The Airports Authority shall include in its code developed

under section 7 the standards by which members will determine what constitutes a substantial financial interest and the circumstances under which an exception may be granted; and

(i) governed by a board of eleven members, as follows:

(1) Five members shall be appointed by the Governor of Virginia, three members shall be appointed by the Mayor of the District of Columbia, two members shall be appointed by the Governor of Maryland, and one member shall be appointed by the President with the advice and consent of the Senate; the Chairman shall be appointed from among the members by majority vote of the members and shall serve until replaced by majority vote of the members.

(2) Members shall (A) not hold elective or appointive political office, (B) serve without compensation other than for reasonable expenses incident to board functions, and (C) reside within the Washington Standard Metropolitan Statistical Area, except that the member appointed by the President shall not be required to reside in that area.

(3) Appointments to the board shall be for a period of six years: However, initial appointments to the board shall be made as follows: Each jurisdiction shall appoint one member for a full six-year term, a second member for a four-year term and, in the case the Commonwealth of Virginia and the District of Columbia, a third member for a two-year term. The Governor of Virginia shall make the final two Virginia initial appointments for one two-year and one four-year term. The President shall make initial and subsequent appointments for a six-year term, with such Federal appointees subject to removal for cause.

(4) Seven votes shall be required to approve bond issues and the annual budget.

MINIMUM TERMS AND CONDITIONS OF LEASE

SEC. 7. (a) The lease authorized by section 5 of this Act shall be for a term of thirty-five years and shall, at a minimum, conform to and be consistent with the following requirements:

(1) USE FOR AIRPORT PURPOSES.—The real and personal property constituting the Metropolitan Washington Airports shall, during the period of the lease, be used only for airport purposes. For the purposes of this subsection, the term "airport purposes" includes a use of property interests (other than a sale) for aviation

business or activities, or for nonaviation business or activities that provide revenue for the Airports Authority. If the Secretary determines that any portion of the land leased to the Airports Authority pursuant to this Act is used for other than airport purposes, the Secretary shall (1) direct that appropriate measures be taken by the Airports Authority to bring the use of such land in conformity with airport purposes, and (2) retake possession of such land should the Airports Authority fail to bring the use of such land into a conforming use within a reasonable period of time as determined by the Secretary.

(2) LAND AND FACILITIES FOR FEDERAL USE.—The Airports Authority shall furnish without cost to the Federal Government for use in connection with any air traffic control and navigation facilities or weather-reporting and communication activities related to air traffic control at these airports, such areas of land or water, or rights in buildings, at the airports as the Secretary considers necessary or desirable for these purposes, including construction at Federal expense of additional space or facilities. Further, all airport facilities shall be available to the United States for use by Government aircraft in common with other aircraft at all times without charge, except, if the use by Govern-

ment aircraft is substantial, a charge may be made for a reasonable share, proportional to such use, of the cost of providing, operating, and maintaining the facilities used.

(3) PUBLIC USE ON FAIR AND REASONABLE TERMS AND WITHOUT UNJUST DISCRIMINATION.—All of the facilities of the Metropolitan Washington Airports shall, during the term of the lease, be available to the public, including commercial and general aviation, on fair and reasonable terms and without unjust discrimination, as these terms are used in paragraph 511(a)(1) of the Airport and Airway Improvement Act of 1982 (49 U.S.C. 2210).

(4) CONTINUATION OF AIRPORT REGULATIONS.—All regulations of the Metropolitan Washington Airports (14 CFR part 159) shall become regulations of the Airports Authority upon transfer of the Metropolitan Washington Airports in accordance with this Act, and shall remain in effect until modified or revoked by the Airports Authority under its own procedures: *Provided,* That regulations concerning new-technology aircraft (14 CFR 159.59(a)), violations of Federal Aviation Administration regulations as Federal misdemeanors (14 CFR 159.191), and the Federal Aviation Administration air traffic regulation designat-

ed 14 CFR 93.124 (Modification of Allocation: Washington National Airport) shall cease to be in effect on the date of transfer: *Provided further,* however, during the term of the lease, (1) that other provisions of the High Density Rule (14 CFR 93.121, et seq.) applicable to air carriers at Washington National Airport may be amended only for considerations of safety, and (2) that the nighttime noise limitation standards currently set out at 14 CFR 159.40 may not be amended.

(5) ASSUMPTION OF RIGHTS, LIABILITIES, AND OBLIGATIONS.—(A) Except as specified in paragraph (B) of this subsection, the Airports Authority shall assume all rights, liabilities, and obligations (tangible and incorporeal, present and executory) of the Metropolitan Washington Airports at the time of transfer of authority and jurisdiction over the airports under the lease and transfer agreement, including leases, permits, licenses, contracts, agreements, claims, tariffs, accounts receivable, accounts payable, and litigation relating to such rights and obligations, regardless whether judgment has been entered, damages awarded, or appeal taken. Before the date of transfer, the Secretary shall also assure that the Airports Authority has agreed to cooperate in allowing representatives of the Attorney General and the Secretary adequate access to employ-

ees and records when needed for the performance of functions related to the period before the effectiveness of the lease. The Airports Authority shall assume responsibility for the Federal Aviation Administration's Master Plans for the Metropolitan Washington Airports.

(B) The procedure for disputes resolution contained in any contract entered into on behalf of the United States prior to the date of transfer shall continue to govern the performance of the contract unless otherwise agreed to by the parties to the contract. Claims for monetary damages founded in tort, by or against the United States as the owner and operator of the Metropolitan Washington Airports, arising prior to the date of the transfer, shall be adjudicated as if the transfer of authority did not occur.

(C) The Federal Aviation Administration shall remain responsible for reimbursing the Employees' Compensation Fund, pursuant to the provisions of section 8147 of title 5, United States Code, for compensation paid or payable after the date of transfer in accordance with the Federal Employees' Compensation Act (5 U.S.C. 8101, et seq.) with regard to any injury, disability, or death due to events arising prior to the

date of transfer, whether or not a claim has been filed or is final on the date of transfer.

(6) AUDIT BY THE COMPTROLLER GENERAL.—The Comptroller General of the United States may conduct periodic audits of the activities and transactions of the Airports Authority in accordance with generally accepted management principles, and under such rules and regulations as may be prescribed by the Comptroller General. Any such audit shall be conducted at such place or places as the Comptroller General may deem appropriate. All books, accounts, records, reports, files, papers, and property of the Airports Authority shall remain in possession and custody of the Airports Authority.

(7) ETHICS AND FINANCIAL DISCLOSURE.—The Airports Authority shall develop a code of ethics and financial disclosure in order to assure the integrity of all decisions made by the board and its employees.

(b) BREACH OF TERMS OF THE LEASE.—The United States district court shall have jurisdiction to compel the authority, its officers, and employees to comply with the terms of the lease. Action may be brought on behalf of the United States by the Attorney General, or by any aggrieved party.

FEDERAL EMPLOYEES AT NATIONAL AND DULLES AIRPORTS

SEC. 8. (a) EMPLOYEE INTERESTS FOLLOWING TRANSFER.—Not later than the date of transfer, the Secretary shall ensure that the Airports Authority has established arrangements to protect the employment interests of employees during the two-year period commencing on the date of transfer. These arrangements shall include provisions—

(1) which ensure that the Airports Authority will adopt labor agreements in accordance with the provisions of subsection (b) of this section;

(2) for the transfer and retention of all employees who agree to transfer to the Airports Authority in their same positions for the two-year period commencing on the date of transfer, except in cases of reassignment, separation for cause, resignation, or retirement;

(3) for the payment by the Airports Authority of pay to transferred employees, except in cases of separation for cause, resignation, or retirement, for two years commencing on the date of transfer at or above the levels of basic pay in effect for such employees on the date of transfer;

(4) for credit during the two-year period commencing on the date of transfer for accrued annual and sick leave and seniority rights which have been

accrued during the period of Federal employment by transferred employees retained by the Airports Authority;

(5) for an offering of not less than one life insurance and three health insurance programs for transferred employees retained by the Airports Authority during the two-year period commencing on the date of transfer which are reasonably comparable with respect to employee premium cost and coverage to the Federal health and life insurance programs available to employees on the day before the date of transfer.

(b) LABOR AGREEMENTS.—The Airports Authority shall adopt all labor agreements which are in effect on the date of transfer. Such agreements shall continue in effect for the two-year period commencing on the date of transfer, unless the provisions of the agreement provide for a shorter duration or the parties agree to the contrary before the expiration of that two-year period. Such agreements shall be renegotiated during the two-year period, unless the parties agree otherwise. Any labor-management negotiation impasse declared before the date of transfer shall be settled in accordance with chapter 71 of title 5, United States Code.

(c) RIGHTS UPON TERMINATION.—Any transferred employee whose employment with the Airports Authority is terminated during the two-year period commencing on the

date of transfer shall be entitled, as a condition of any lease entered into in accordance with section 7 of this Act, to rights and benefits to be provided by the Airports Authority that are similar to those such employee would have had under Federal law if termination had occurred immediately before the date of transfer.

(d) ANNUAL LEAVE.—Any employee who transfers to the Airports Authority under this title shall not be entitled to lumpsum payment for unused annual leave under section 5551 of title 5, United States Code, but shall be credited by the Airports Authority with the unused annual leave balance at the time of transfer, along with any unused sick leave balance at the time of transfer.

(e) RETIREMENT BENEFITS.—Any Federal employee hired before January 1, 1984, who transfers to the Airports Authority and who on the day before the date of transfer is subject to the civil service retirement law (subchapter III of chapter 83 of title 5, United States Code) shall, so long as continually employed by the Airports Authority without a break in service, continue to be subject to such law. Employment by the Airports Authority without a break in continuity of service shall be considered to be employment by the United States Government for purposes of subchapter III of chapter 83 of title 5, United States Code. The Airports Authority shall be the employing agency for purposes of section

8334(a) of title 5, United States Code, and shall contribute to the Civil Service Retirement and Disability Fund such sum as is required by such section. Reemployment of such employees with the Airports Authority shall be deemed to be reemployment for purposes of section 8344 of title 5, United States Code.

(f) NONTRANSFERRING EMPLOYEES.—An employee who does not transfer to the Airports Authority and who does not otherwise remain a Federal employee, shall be entitled to all of the rights and benefits available under Federal law for separated employees, except that severance pay shall not be payable to an employee who does not accept an offer of employment from the Airports Authority of work substantially similar to that performed for the Federal Government.

(g) ACCESS TO EMPLOYEES AND EMPLOYEE RECORDS.—The Airports Authority shall allow representatives of the Secretary adequate access to employees and new employee records of the Airports Authority when needed for the performance of functions related to the period prior to the effectiveness of the lease. The Secretary shall provide the Airports Authority access to employee records of transferring employees for appropriate purposes.

RELATIONSHIP TO AND EFFECT OF OTHER LAWS; APPROPRIATIONS

SEC. 9. (a) RELATIONSHIP TO AND EFFECT OF OTHER LAWS.—In order to assure that the Airports Authority has

the same proprietary powers and is subject to the same restrictions with respect to Federal law as any other airport, except as otherwise provided in this Act, during the period that the lease authorized by sections 5 of this Act is in effect—

(1) the Metropolitan Washington Airports shall qualify as a "public airport" under the terms of the Airport and Airway Improvement Act of 1982 and shall be eligible for Federal assistance on the same basis as any comparable public airport operated by a regional authority; and shall be considered to have accepted a grant on the date of transfer;

(2) the Acts entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes" and "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia" shall not apply to the operation of the Metropolitan Washington Airports, and the Secretary shall be relieved of all responsibility under those Acts;

(3) notwithstanding any other provision of law other than the provisions of this Act, the retention by the United States of fee simple title to the Metropolitan Washington Airports shall not subject these airports and the Airports Authority to any requirement of

law that would not apply to an airport or airports not owned by the United States;

(4) the Commonwealth of Virginia shall have concurrent police power authority over the Metropolitan Washington Airports, and the courts of the Commonwealth may exercise jurisdiction over the land described in "An Act to provide for the administration of the Washington National Airport, and for other purposes" (54 Stat. 686, approved June 29, 1940); and

(5) the authority of the National Capital Planning Commission, as provided in section 71d of title 40, United States Code, shall not apply to the Airports Authority: *Provided,* That the Airports Authority shall consult with the National Capital Planning Commission (NCPC) and the Advisory Council on Historic Preservation before undertaking any major alterations to the exterior of the Dulles Terminal, and with the NCPC before undertaking development that would alter the skyline of Washington National Airport when viewed from the opposing shoreline of the Potomac River or from the George Washington Parkway.

(b) APPROPRIATIONS.—Unobligated balances and obligated but unexpended balances of appropriations on behalf of the Metropolitan Washington Airports remaining in the fiscal year that includes the date of transfer shall transfer to the

Airports Authority, but only to the extent that the Airports Authority agrees to add an identical amount to the hypothetical indebtedness it assumes in accordance with subsection 5(a) of this Act.

CONCLUSION OF THE FULL TERM OF THE LEASE

SEC. 10. Upon conclusion of the thirty-five-year term of the lease—

(a) title to all real property shall pass to the Airports Authority: *Provided,* That real property that is not then in use for airport purposes as defined in subsection 7(a) of this Act shall instead be reported to the General Services Administration for disposition under the Federal Property and Administrative Services Act of 1949, as amended;

(b) the United States shall relinquish all jurisdiction (concurrent and exclusive) over the Metropolitan Washington Airports to the Commonwealth of Virginia; and

(c) the Acts entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes" and "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", as amended, shall be repealed.

SEPARABILITY

SEC. 11. If any provision of this Act or the application thereof to any person or circumstances is held invalid, the remainder of this Act and the application of such provision to other persons or circumstances shall not be affected thereby.

EFFECTIVE DATE

SEC. 12. The provisions of this Act shall take effect upon enactment.

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II

99TH CONGRESS
1ST SESSION

S. 1110

To provide for the award of grants to the Washington Metropolitan Airports for certain capital expenditures.

IN THE SENATE OF THE UNITED STATES

MAY 8 (legislative day, APRIL 15), 1985

Mr. HOLLINGS introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

To provide for the award of grants to the Washington Metropolitan Airports for certain capital expenditures.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) notwithstanding any other provision of law, the Secretary of Transportation shall make grants to the Washington Metropolitan Airports during fiscal year 1986 in a total amount of $250,000,000, for the purposes specified in subsection (b) of this section. Funds for such grants shall be derived from the Airport and Airway Trust Fund established by section 9502 of title 26, United States Code. Such funds shall remain available until expended.

(b) Grants made under subsection (a) of this section shall be used for (1) development of a mid-field terminal at the Washington Dulles International Airport, and (2) improvements at the Washington National Airport, including a new road system, an improved connection to the Washington District of Columbia metrorail system, additional parking, and additional terminal space.

(c) Funds made available by this Act are in addition to any grant made during fiscal year 1986 under section 505(a) of the Airport and Airway Improvement Act of 1982 (Public Law 97–248; 96 Stat. 676).

(d) As used in this Act, the term "Washington Metropolitan Airports" means the Washington National Airport and the Washington Dulles International Airport.

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Senator KASSEBAUM. It is a pleasure to welcome the first two witnesses testifying. I would like to call on Senator Mathias of Maryland first, who has to leave, and Senator Warner, who also will have to leave shortly, but if we could begin with Senator Mathias. Welcome.

STATEMENT OF HON. CHARLES McC. MATHIAS, JR., U.S. SENATOR FROM MARYLAND

Senator MATHIAS. Thank you very much, Madam Chairwoman. I appreciate your kindness in rescheduling my appearance, and appreciate Senator Warner making it possible. But as you say, I do have an urgent family problem that I have to attend to later in the day.

We are here, of course, to talk about S. 1017, which is a bill to transfer National and Dulles International Airports to regional authority. And I would like to join you in commending Secretary of Transportation Elizabeth Dole for taking a strong position and trying to resolve the problems of Washington National Airport and Dulles International Airport.

I would like to commend Senator Warner, who has taken a great personal interest in this issue, Senator Trible, who has been deeply involved, and in it from the start. And in particular, I would like to commend Governor Holton, who has devoted an enormous amount of his personal time and brought a tremendous amount of experience to the task.

Senator KASSEBAUM. Senator Mathias, pardon me, but I do not know whether people can hear you. We can hear you up front all right. Are all the microphones on up front?

Senator MATHIAS. How is that? It is like the old days when Senator Mansfield was majority leader and the word was "keep Mike close."

Well, Madam Chairwoman, Governor Holton is behind me. Let me repeat what I was just saying, that I was commending Governor Holton and the other members of the Advisory Commission on the Reorganization of the Washington Metropolitan Airports for the really extraordinary effort that they have made.

But it seems to me that the first job of the Congress will be to define the issue, and the issue that is presented here is very plain. The issue is the public interest. Now, of course there are regional interests to be considered. There are parochial interests that are going to have to be recognized.

But the overriding issue for the Congress as it determines this question has got to be the public interest. Now, the public in question is a very complex one. It includes the population of the huge Chesapeake-Potomac megalopolis extending from Richmond to the Mason-Dixon line and westward to the Appalachians.

It also includes Americans from all across the country who come to the National Capital to see, to learn, and to do business. And of course, this group merits the special attention of the Congress because it is national in character.

A third category is the international class of traveler who comes to the capital of the free world and who falls within the jurisdiction of the Congress as an element of international commerce.

So that, I would submit, taken together, is the public in there interest we must work. There are valuable resources that are now in place to serve this complex public: three thriving and busy airports Washington National, Dulles International, and Baltimore-Washington International.

All three of these aiports have problems. Ground facilities at National are certainly not adequate. Ground transportation, to and from Dulles, is not convenient. And flight schedules at BWI, while I think are improving, could stand further improvement.

Now, with an area population of somewhere between 8 and 12 million, depending on where you draw the line, to serve and a major national and international function, I would submit that all three of these airports are necessary. The question is how to address their problems and to keep a balanced program of modernization and improvements going at all three places.

Now, we have reached the current State of development with substantial government support. That has been 100 percent Federal support at National and Dulles and a mix of Federal and State support at BWI. This has not been totally satisfactory, nor equitable, and there seems to be a general agreement that there should be some change.

The fact that the Federal Aviation Administration operates two out of the three has added to the imbalance of this situation. The proposal now before us would make the problems that already exist in the present picture permanent. The isolation of Baltimore-Washington International would be codified into law.

A regional authority excluding Baltimore-Washington International will be given an additional Federal subsidy worth millions of dollars in the form of real estate and improvements. This is an enormous advantage over BWI, which still labors under the bonded indebtedness undertaken by the State of Maryland for acquisition and development. This is not in any way to argue against a generous Federal transfer policy, but only for equity in the division of the benefits, so that capital considerations are equalized.

Now, political control provided by commissioners from Maryland, Virginia, and the District of Columbia will I think function with difficulty if BWI is isolated from the scheduling of flights and from other operational decisions at National and Dulles.

It is almost inevitable that voting blocs will develop in ways that will reduce effectiveness. Conflict, just for one example, conflict over noise control and many other side issues is almost guaranteed.

The public needs a safe and convenient air travel system. Flight schedules at the three airports should be complementary. Competition should exist between the carriers, not between the airports.

The large demand today will grow steadily as we near the year 2000, and we have to anticipate that growth. We need to plan now for the coordinated operation that we need. Bringing the three airports into some kind of cooperative relationship will serve that public interest. A policy of isolating Baltimore-Washington International would be in conflict with the goals that most of us want to reach.

Thank you very much, Madam Chairwoman.

Senator KASSEBAUM. Thank you, Senator Mathias.

Senator Warner.

STATEMENT OF HON. JOHN W. WARNER, U.S. SENATOR FROM VIRGINIA

Senator WARNER. Thank you, Madam Chairman and members of the committee.

It is a pleasure to be back in this room again, having served on this committee, and I note the presence of our former chairman, Senator Cannon.

Madam Chairman and members of the committee, I join my distinguished colleague in commending the Secretary of Transportation, Mrs. Dole, and Governor Holton for this, I think a very bold and positive initiative. I have worked on this issue with four Secretaries of Transportation, from Brock Adams to Neil Goldschmidt to Drew Lewis to the present Secretary, Mrs. Dole.

And in that context, my distinguished colleague Mr. Trible has worked as a full partner with me on this issue. We have endeavored to establish a balanced airport policy under which two unique federally owned commercial airports have been operating since 1981.

Last year Secretary Dole initiated the formation of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports, and it was chaired by Governor Holton. Along with several others here testifying today, I was pleased to be a member of that commission.

I would say to my distinguished colleague from Maryland that the record of the proceedings of that commission will reflect that we have offered, in sense we offered BWI the opportunity to come in as a partner in this regional authority, but those speaking presumably on behalf of the airport at each juncture denied that opportunity. And I think Governor Holton, present today, will corroborate my recollections.

My distinguished colleague addressed the overriding issue of the public interest, and I would say that it is my fervent hope that the committees of the U.S. Senate, after addressing this bill, will allow the bill to go to the floor and the deliberations of the full Senate to assess that public interest. If that is done, I am optimistic that the Senate will approve this bill.

I therefore urge the subcommittee's favorable consideration of the administration legislation, S. 1017. The main objective of this legislation is to provide equity—I stress, to provide equity—for Washington National and Washington Dulles Airports with other commercial airports, and not just BWI, but throughout the United States of America.

That equity comes into play particularly when it comes to financing improvements for modernization. As has been stated, these two airports are currently only able to undertake such improvements when specifically authorized by, and the funds appropriated for, by the Congress. All other airports throughout the country so far as I can determine have either the ability to utilize tax-exempt bonding or receive State and local funding or other financing, including of course partially Federal, for ongoing modernization requirements.

In responding to any charge that transferring the control of these airports to regional authority laying the basis for unfair competition to any other airport in the United States, I ask my col-

leagues, and pointing to the bill, where in this bill is there an inequity?

In the paper this morning there is a quotation: "All fairness in competition will vanish if this legislation is enacted," Governor Hughes said in a letter. I hope that letter becomes a part of the record.

Senator MATHIAS. Do you want me to answer now or later?

Senator WARNER. If you would forebear until I finish, I would be glad to hear.

I think that what we have done in this bill is precisely to achieve a measure of equity and fairness. Now, addressing another bill that will be examined by this committee today, one that proposes that perhaps as much as a quarter billion dollars be withdrawn from the Federal treasury and applied to the needs of Dulles of National, I hasten to remind my colleagues that the Congress at this very time is looking for every means possible to cut Federal spending, and in my judgment that would be in conflict with the efforts that we have under way to reduce Federal spending if we were once again to turn to some mechanism within our Federal system to supply the funds.

And indeed, that sum of money would be a landmark decision, in that it would be the largest sum, I think around two and a half times the amount that any airport in America has received previously. I point out that in my judgment that would indeed provide an inequity to other airports trying to receive necessary funding from the trust fund.

Madam Chairman, I would like to include other portions of my testimony for purposes of the record, recognizing the chair has allowed us but a brief time.

Senator KASSEBAUM. Without objection.

[The statement follows:]

STATEMENT OF HON. JOHN W. WARNER, U.S. SENATOR FROM VIRGINIA

Thank you, Madam Chairman.

With your permission, I will make a brief statement today and submit additional comments to the Subcommittee for inclusion in the hearing record.

It has been my privilege to work on the issues concerning Washington National and Washington Dulles Airports since 1979.

I have worked with four Secretaries of Transporation on the Washington Airports Policy—from Brock Adams to Neil Goldschmidt to Drew Lewis to Elizabeth Dole.

We have endeavored to establish a balanced airports policy, under which these two unique federally-owned commercial airports have been operating since 1981.

Last year, Secretary Dole initiated the formation of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports, chaired by Governor Linwood Holton.

Along with several others testifying here today, I was pleased to be a member of the Commission.

I urge this Subcommittee's favorable consideration of the resulting Administration Legislation before you today, S.1017.

The main objective of this legislation is to provide *equity* for Washington National and Washington Dulles airports with other commercial airports around the Country.

That equity comes into play particularly when it comes to financing improvement and modernization.

As has been stated, these two airports are currently only able to undertake those improvements specifically authorized by and appropriated for by Congress.

All other airports have either the ability to utilize tax-exempt bonding or state and local funding, or other financing mechanisms for ongoing modernization requirements.

In responding to any charge that transferring the control of these two airports to a regional public authority is laying the basis for unfair competition to any other airport in America, I point to his bill and inquire:

Which section of S.1017 attempts to provide other than parity between the proposed regional public authority and any other comparable authority or commercial airport system in America?

For the fact remains that National and Dulles have been placed at a comparative disadvantage where modernization is concerned.

We have the opportunity with the Administration proposal to allow a new authority to finance critically-needed modernization from the private sector, not federal sources.

Given this option, how can the Congress block such action in view of the federal deficit and Congressional actions to reduce federal spending?

Madam Chairman, you also have S.1110 before you today as a subject of hearing.

I urge you and this subcommittee to adopt the Administration bill over this proposal, which authorizes a quarter of a billion dollars of federal monies for modernization of Dulles and National Airports.

Aside from the disadvantage of added federal spending, the release of the amount proposed in S. 1110 from the federal aviation trust fund would be a landmark case, authorizing more than two and one-half times the amount that the trust fund has ever contributed to any other commercial airport in America, and would be viewed by other airports across the nation as a decision inequitable to their interests.

I would like to conclude, Madam Chairman, by submitting for the record my floor statement of April 26, 1985,[1] in which there is related some additional historical perspective on the noise/decibel cap compromise reflected in S. 1017.

This Subcommittee and the full Committee will, I believe, see the many merits of this legislation—from the federalist objectives to the federal employee protections, and approve this legislation to the full Senate.

We are delighted that Governor Robb could be here today, to reflect the support of the Commonwealth of Virginia for the transfer legislation.

His leadership and support of this legislation was evident throughout the Commission proceedings, as well as in the Virginia General Assembly's approved of the transfer bill during their 1985 session.

Thank you for your courtesies.

Senator KASSEBAUM. I would say we have had both sides of the argument very persuasively stated in these opening comments. Does anyone have any questions of either Senator Mathias or Senator Warner? Both of them do have to leave early.

Senator HOLLINGS. Senator Inouye.

Senator INOUYE. Senator Mathias, am I to understand that if this measure were amended to include Baltimore-Washington International, you would have no objection to it?

Senator MATHIAS. If there could be some equitable development covering the costs that have been already advanced by local sources for development, that is certainly something that could be considered.

I think that the committee will also have the alternative suggestion or offer made later in the day that a regional authority originating on the northern side of the Potomac River might be willing to buy the other two airports, so in other words one way or another to bring the three airports into some kind of complementary relationship, rather than a competitive relationship.

Senator WARNER. At that point, Madam Chairman, I would have to interject. Any proposal by which Maryland buys land in Virginia would be summarily rejected.

Senator HOLLINGS. Well, there is an attitude.

Senator MATHIAS. Now you understand those earlier offers to buy BWI.

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[1] See Congressional Record, April 26, 1985.

Senator KASSEBAUM. Senator Exon, as ranking member of the subcommittee, do you have any comments or statement to make, or questions?

Senator EXON. I think this is a matter that we have all labored over for a long, long time. The two positions have been adequately stated by the two distinguished Senators before us this morning.

It seems to me that we get down to a situation as to whether or not we are going to have fairness in this issue, and I have not made up my mind whether we should proceed with the suggestions that have been made or not. I would like to ask the two witnesses this morning, if fairness is a legitimate issue, is there not some way that the commission might be structured so that there would be a proper balance, so that all three of the airports involved, which I think are tremendously important to this part of the United States, might be fairly and equitably represented.

Is there a possibility that simply restructuring the airport authority might be a way out of the dilemma that the two States find themselves in today? And I would like to pose that same question. It could be asked of the two Governors who I understand are here and may be testifying later.

Senator MATHIAS. I think the Senator is correct that fairness is an issue, and of course fairness first of all to the traveling public, but fairness to the other interests that are involved.

Some restructuring of the commission might be helpful, but it is like the old lawyer said: When they talk about it is not the money, it is the principle of the thing, it is the money. And there is some money involved here as to how revenues are going to be allocated, where the revenues are going to be reinvested in airport improvements, what part of the traveling public will benefit from those improvements.

But those are all things that I am sure the committee is going to look at very carefully.

Senator WARNER. Senator, we endeavored—and I defer to Governor Holton—in the deliberations of the commission to explore that option, but those speaking on behalf of the interests of BWI rejected those discussions.

And I point out that the regional authority is constituted in such a manner that the board will have representation in the form of individuals designated by the Governor of Maryland. So Maryland is not in a sense left out. They have a vital voice in this matter.

Senator EXON. Yes, but having had some experience in counting votes from time to time—and I am sure the two Senators have—if I count the votes on this proposed authority, it is heavily stacked, and possibly justifiably so because it is the State of Virginia, working in cooperation with the commission, that would be floating the bonds that would be necessary to make the improvements.

What I am suggesting is, if a key part of the objection from people in Maryland and the Baltimore area is that they feel that future decisions of the airport authority might adversely affect BWI Airport, it would seem at least like that one part of it might be sold, if that is an important part, with some restructuring of the board or commission.

Senator WARNER. Well, in fairness to the interests of Maryland, I think I would defer further comment until they have had an opportunity to state their case.

Senator MATHIAS. I think this committee has really an historic opportunity. For 300, almost 350 years, Maryland and Virginia had a shooting war over oysters. The oyster wars went on for centuries, literally, and I must say that it is in large measure due to the efforts of Senator Warner, who took an active interest in the development and preservation of the Chesapeake, that we are now in a period of tranquility and peace between Maryland and Virginia.

Now, I do not want to see that kind of conflict lifted off the surface of the water and into the air. This is an opportunity to make peace and to have a kind of cooperative and coordinated development of air traffic which is necessary for the proper service of the people of both Maryland and Virginia and the District of Columbia.

And Madam Chairman, I would like to leave you with that challenge.

Senator WARNER. Madam Chairman, I would like to reply that it has been a pleasure during my Senate career to work with my colleague in resolving the oyster war and other wars, but on this issue a few barrels of oyster will not buy my vote.

Senator HOLLINGS. Let me ask, both of you gentlemen live within the confines of the particular bill. In other words, I think the bill says that the commission members should come from this particular area, and both of you live in this area, is that not right?

Senator WARNER. That is correct.

Senator HOLLINGS. And you served on the commission, Senator Warner?

Senator WARNER. Yes.

Senator HOLLINGS. And you can see how well you two get along. Now, what is the inequity that you are trying to correct?

Senator WARNER. The inequity is the inability of Dulles and National to fairly compete with other airports and the ability to gain the necessary financing to do the improvements.

Senator HOLLINGS. Why can they not get the financing? Is that not us three, you, you, and me?

Senator WARNER. When you come before the Congress for the funding, the Congress must out of necessity look at the needs of the other airports. And because of the magnitude of the improvements needed at Washington National now, mainly parking, Dulles midfield terminal—and you yourself add it up to about a quarter of a billion dollars—I think in fairness to the other airports in America we cannot call on the Federal treasury to supply those funds.

Senator HOLLINGS. Well, no, this is in fairness to all of the people of America. These airports belong to Hawaii and South Carolina. I use them more than you do, I will guarantee you. I will guarantee you. I am from South Carolina and I will take you on a bet. I will lay you odds, I use those airports probably two times more than you have in the last 5 years.

Senator WARNER. I was not quite as busy as you were in the last 18 months, Senator.

Senator HOLLINGS. That is why I am willing to make the bet.

So we know it belongs to all the people. We have almost $7 billion in the airport trust fund and we can take that for all the

people. I am not doing this for Virginia, to be fair to South Carolina or Hawaii. I am doing it for all of the people of America, to be fair to themselves.

We have the money available. Why do you not vote it? Can you not support my bill and let us get the improvements there?

Senator WARNER. I feel, Senator, in view of the national deficit question, that now is not the time to levy a further dollar figure.

Senator HOLLINGS. Have you heard our distinguished leader on deficits? This is a trust fund. How is this going to affect the deficit?

Senator WARNER. Well, maybe the trust fund could contribute to the deficit.

Senator HOLLINGS. Oh, come on. You want the airport trust fund to start paying off the national debt?

Senator WARNER. Well, I think we have gone beyond our time.

Senator HOLLINGS. No, we have not gone beyond our time. I am just starting. I have some good questions. This is a serious problem, because I use the airport more than anybody in this room, and I have not gotten through in my mind what is the inequity or what is the problem we are trying to solve.

It certainly is not money, because you and I have that and we can get it quicker. Have you ever issued a bond, Senator Warner?

Senator WARNER. I have been involved in that process.

Senator HOLLINGS. You have been involved, then you know the cost and expense.

Senator WARNER. Yes, sir.

Senator HOLLINGS. What would you say is the relative expense of issuing an amount comparable to my bill? I have got the $250 million for the airports, so we can agree on the $250 million in improvements, can we not?

Senator WARNER. I think the range of improvements would be about a quarter of a billion dollars.

Senator HOLLINGS. How much would it cost the Government, $250 million, to issue those bonds?

Senator WARNER. Well, there is present in this room persons who worked as advisers to the Holton Commission on this subject, and I think their estimates ranged maybe 8 percent.

Senator HOLLINGS. Eight percent. Well, in dollars it amounts to about $370 million when you issue bonds, rather than the $250 million.

Senator WARNER. Well, Senator, we just have a different perspective on the need for some local voice in the matters of the running of this airport, on matters of safety, on lifestyle, noise, and things of that nature. I think it is about time that we allowed the local citizenry to have an input on those decisions.

At the present time it is exclusively the FAA on matters of operational questions, and then on the matter of financing it is up to the Congress.

Senator HOLLINGS. So you find fault with the operation by the FAA?

Senator WARNER. I did not say that I found fault. To the contrary, I think they have done a commendable job. But I see no reason why in the future that the local citizens could not have a voice on these critical questions.

Senator MATHIAS. If the Senator would suspend for just a moment, apparently the colloquy will relate to matters that the Commission has already looked at, and if the Senator would excuse me.

Senator HOLLINGS. Well, yes, I can get on. You folks have the attitude that I am just killing time. I am serious about this. I keep reading about me in the newspaper. I am interested in the Capitol and I am interested in these facilities.

You do not have a bill, Senator Mathias, to put the National Zoo over to the District, do you? Do you want to give Mayor Barry the National Zoo so that he can have local control in the local people?

Senator MATHIAS. No, and I am not supporting this bill in its present form.

Senator HOLLINGS. Excuse me, then.

Senator Warner, would you like to give the zoo to Mayor Marion Barry and the local people so that they can have local control?

Senator WARNER. It is not a matter that I have devoted much time to, Senator. I am just not able to answer that question.

Senator HOLLINGS. I see. That is a complicated question, the location of the zoo.

But you will agree that FAA has done a commendable job?

Senator WARNER. Yes, I do.

Senator HOLLINGS. And you do not then think that the problem is anything wrong with the operation of the airports?

Senator WARNER. No, I would not fault the operation. But again, I feel very fervently on the issue that the local persons should have some voice in matters which more and more are impacting on their lifestyle.

Senator HOLLINGS. In what way?

Senator WARNER. The question of noise, the question of safety, the question of traffic control around the airports. If we were able to put in a modern parking facility at National Airport, that facility in effect would impact on the roads that service that general area.

Senator HOLLINGS. You do not need local people. You have nonresidents like myself who would agree to that. That is why I introduced S.1110, to authorize $250 million, so we could get a parking facility and much more.

Senator WARNER. Do you think that I can come before the Congress in good conscience and ask for say $50 or $60 million at this time to put up a parking lot, when there are adequate private sector options out there to put that lot up?

Senator HOLLINGS. Private sector options? You seem to be bemused that this is somehow different when you get bonds, that that is private. Do you know those are Government bonds and it costs the taxpayers billions more than taking from the trust fund? You do not realize that?

Senator WARNER. I understand that they would be tax-exempt and indirectly——

Senator HOLLINGS. Now, when you say tax-exempt, Senator, what are you saying?

Senator WARNER. I have never hidden that fact. It is throughout this record that they would be tax-exempt.

Senator HOLLINGS. All right. Then that costs the Treasury, and that is what you say you are interested in, is not costing the Treasury.

Senator WARNER. But that is a principle, tax-exempt bonds, that is equally applied across the United States.

Senator HOLLINGS. Right; well, let me ask you about the Treasury and President Reagan's submission. Do you have any material differences with that tax bill?

Senator WARNER. Senator, I have got to chair an Intelligence Committee meeting that opened up 3 minutes ago, and I really cannot get into Treasury II at this time.

Senator HOLLINGS. Well, wait a minute. That has an important provision in it. Have you read it? What does it say about bonds?

Senator WARNER. I understand the provisions about bonds.

Senator HOLLINGS. Well, what does it say?

Senator WARNER. Senator, there is a question as to whether or not certain categories of tax-exempts will continue.

Senator HOLLINGS. Ah; that is a general statement. So you do know that.

Senator WARNER. Senator, I do know that.

Senator HOLLINGS. All right. So the administration is against tax-exempt bonds.

Senator WARNER. I would not say they are against tax-exempt bonds.

Senator HOLLINGS. That is what they have recommended.

Senator WARNER. We are a long way from enacting any tax——

Senator HOLLINGS. Not the Congress. I am talking about the administration. You say the administration is for this bill, but the administration is against tax-exempt bonds, isn't that right?

Senator WARNER. I did not say categorically that the administration is against tax-exempt bonding.

Senator HOLLINGS. You have not read that bill?

Senator WARNER. I have read that bill.

Senator HOLLINGS. What does it provide?

Senator WARNER. Senator, I politely excuse myself.

Senator HOLLINGS. Well, I wish you would answer the question. Does or not that particular submission by President Reagan eliminate tax-exempt bonds?

Senator WARNER. That would be a matter that the Congress would have to consider.

Senator HOLLINGS. I did not ask about the Congress. The President's submission, you know what it is.

Senator WARNER. That submission might well change——

Senator HOLLINGS. I did not ask about its change. I asked about its fact, this minute. What is it right now?

Senator WARNER. Madam Chairman, I excuse myself.

Senator HOLLINGS. Well, you just do not want to answer the question. You are saying the administration is for it and they are recommending to do away with tax-exempt bonds. Do not give me doubletalk and exempt yourself.

Senator KASSEBAUM. I would only say, Senator Hollings, we could spend a whole day on tax reform.

Senator HOLLINGS. Well, wait a minute. We are not getting into tax reform here. I am just getting into the future of tax-exempt

bonds, and the question of financing these aiports. So do not give me this general stuff about tax reform. I am asking the witness sensible questions. He does not want to answer the questions. Let us let the record show that.

Senator KASSEBAUM. Senator Hollings, before you came in, both Senator Mathias and Senator Warner stated they had to leave, early and that is one reason we started with them.

Senator HOLLINGS. I am on the Intelligence Committee. I know what is going on over there. This is important. This is very important, and they are getting half the picture out here. Then when they get the whole picture out they want to say, exempt ourselves and excuse ourselves. I understand.

Senator KASSEBAUM. It is a pleasure to welcome the next witnesses, the Honorable Elizabeth Dole, Secretary of Transportation, and the Honorable Linwood Holton, who has served as the chairman of the Special Commission. It is a pleasure to welcome you both.

STATEMENTS OF HON. ELIZABETH HANFORD DOLE, SECRETARY, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY LINWOOD HOLTON, CHAIRMAN, ADVISORY COMMISSION ON THE REORGANIZATION OF THE METROPOLITAN WASHINGTON AIRPORTS; AND JAMES WILDING, DIRECTOR OF THE METROPOLITAN WASHINGTON AIRPORTS

Secretary DOLE. Thank you very much, Madam Chairman and members of this subcommittee.

I appreciate this opportunity to come before you to urge prompt enactment of S. 1017, a bill that would transfer Washington National and Washington Dulles International Airports from the Federal Government to an independent regional public authority.

With me today is Linwood Holton, former Governor of Virginia and chairman of the advisory commission that developed the basic proposal that we are discussing today; and Jim Wilding, who is director of the Metropolitan Washington Airports, which operates the two airports for the Federal Aviation Administration.

When I came to the Department of Transportation, Madam Chairman, I visited with many former Secretaries of Transportation, and a number of them at that time expressed to me their concern that the real needs of these airports were not being met, and they confirmed my view that the airports should be transferred to a local or regional authority.

And as I developed my agenda of issues worthy of pursuit, which could make a positive difference, this became one of my priorities. Therefore, in June of last year I appointed a commission made up of State and local officials and airport users to determine, not whether, but how a transfer should be accomplished. And under Linwood Holton's patient and skillful chairmanship, a consensus was reached on this matter.

Now, I believe that the problems that we are trying to address are obvious to all of you who use the airports. Under Federal control, budgetary concerns have meant that improvements to the facilities are slow in coming. All other U.S. air carrier airports are operated by State or local public authorities that are best able to

respond to economic development and to local needs. Washington deserves the same for its airports.

The reason for Federal ownership of the Metropolitan Washington Airports is largely historical. National was built by the Government in 1940 to replace an inadequate facility, and then at the time that the plans were made for Dulles, because National had been contructed by the Federal Government, it was determined that Dulles would be as well.

Almost since they opened, there has been general agreement that National and Dulles should not be operated as conventional Federal agencies, and many attempts have been made, as you know, to change their status. And now for the first time there is a consensus among local governments, the administration, many members of Congress, and the airport users about how this should be accomplished.

And I believe that the Holton Commission plan embodied in this bill deserves early passage by the Congress, for the benefits of transfer run not only to the greater Washington community, but to all users of the airports, to all of you and your constituents who visit the Nation's Capital by air.

But quite aside from all the benefits, transfer of the airports to a regional authority is simply good government. The time is right for action. The foundation has been laid very carefully. Virginia has already enacted the necessary enabling legislation and the Council of the District of Columbia has completed hearings on an identical bill.

Economic growth in the Washington area has been phenomenal in the past two decades, and Dulles and National are critical to the region's vitality. Yet airline service has not kept pace. Capacity is limited at National. The mobile lounge facilities at Dulles have limited development of a modern air carrier hub-and-spoke operation at that airport, and without such feeder service available Dulles has been sadly underutilized.

The solution is the construction, as we have already heard this morning, of a midfield terminal connected to the existing Dulles terminal by a people mover. With this transfer, a new authority can quickly issue the bonds necessary to support such a project. Without transfer, we can expect demand to continue to outstrip the ability of the Government to respond as traffic at National and Dulles grows.

At National, a new authority can easily solve problems that now appear intractable. An adequate parking garage can do much to alleviate the traffic congestion. Redesign of the road system would clear up the rest of it, and you know how that road is. There are times at 4 to 6 in the afternoon the that traffic practically backs up to the Parkway. A Metro connector would shorten the hike from the station to the terminal. Rehabilitation and refurbishing of the terminal buildings would improve National's appearance, as well as its usefulness.

These benefits will result from the only fundamental change that the transfer involves, a change in the way the airports are financed. Once the authority settles on a development plan for its airports, it will have the ability to enter capital markets.

We are all too aware in today's deficit-conscious climate that there will not be room in the Federal budget for many capital improvements at National or Dulles in the foreseeable future. And even without the deficit, I see no reason to seek congressional approval for every project, major or minor, that must be undertaken at the airports.

The Department cannot support S. 1110. $250 million in Federal funds represents 27 percent of the "AIP", the Airport Improvement Program, funding for the entire country for the fiscal year. Dallas-Forth Worth, which represents the high water mark of AIP funding for any particular airport, has received a total of $150 million cumulatively since 1971. $250 million to National and Dulles would simply be unacceptable to other airports and to the administration in light of the deficit reduction efforts that are under way.

Now let me talk for a moment about the structure of the authority. The commission readily agreed on basic points regarding the structure of the regional authority's board. It recommended that distinguished persons be appointed, that they live in the metropolitan Washington area, that they serve without compensation, that they not be elected officials. Five members would be appointed by the Governor of Virginia, three by the Mayor of the District of Columbia, two by the Governor of Maryland, and a single member by the President with Senate confirmation.

The compromise reached gives weight to two factors. One is the source of the passengers at the two airports and the other is the fact that both airports are located in Virginia. The seven-vote rule in budget and bond issues guarantees that major decisions cannot be made without at least one vote from each side of the Potomac.

This allocation has been criticized by the Maryland interests for not providing adequate representation to Maryland, since about 40 percent of the metropolitan area population lives there. I believe that this argument misses the mark.

Regardless of their population, the Maryland suburbs of Washington provide only about 18 percent of the passengers at all three area airports, and their share at National and Dulles is somewhat less. Thus, Maryland's 2 board members out of the 10 locally appointed members appears to be a fair allocation based on actual passenger use.

There are some important requirements built into the new authority's charter. While the authority has broad powers, it also has a single purpose—operation of both airports as primary airports serving the metropolitan Washington area.

I want to take special note today of the extraordinary contribution of the men and women who operate these airports. The FAA employees at National and Dulles constitute the leanest, most cost effective airport work force in the Nation. The transfer could not succeed without them, and a lot of the credit goes to Jim Wilding for his very fine management.

All who deal with the airports recognize the quality of the staff. The bill therefore contains important measures to preserve all of their current rights and benefits. Employees of the airports would be guaranteed their present jobs and salaries for 2 years.

Many aspects of operations at the airports will remain under FAA control, as they are at all other airports. The air traffic

system will of course remain in the FAA's hands. That includes not only the tower and the air traffic controllers, but also the high density rule, which requires IFR reservations, better known as slots, for aircraft operations at National. This means that the transfer will not have any impact on airline schedules at National and that general aviation pilots will obtain slots the same way they do today, directly from the FAA.

Nor will transfer change any aspect of airline service. Service arrangements will still be made with the carriers.

Now, in addressing the regulations applicable to the airports, our goal was to treat the new authority as much like other airports as possible, with safety and air traffic rules remaining with the FAA and proprietary rules transferring to the authority.

As interested parties met over the months, some compromises evolved. First, the annual passenger cap, technically part of an FAA airspace rule, will be removed and replaced by a statutory freeze on the current number of slots available to air carriers at National.

The freeze assures air carriers and travelers that flights at National will not be reduced below present levels, except for reasons of safety, and at the same time it assures the community that the number of flights cannot be increased either. With the continuing replacement of older, noisier jet aircraft with the quiet new technology models, the slot freeze guarantees that noise levels around National will continue to decrease.

As you know, I have supported in the past a reduction in the passenger cap, but I am convinced that a slot freeze is a reasonable substitute that basically does the same thing, and the compromise enables us to move forward toward the larger goal of airport transfer and all of its benefits.

As to the nighttime noise rule, since it is proprietary in nature, the bill provides that it be transferred to the new authority, but that the noise levels be frozen at present levels. However, since the bill was submitted to the Congress, Madam Chairman, there has been general agreement that the levels should not be frozen and, as the bill's sponsors are aware, we would therefore support an amendment to transfer the full responsibility for the nighttime noise rules to the new authority.

A third major element of the 1981 airports policy was the perimeter rule, which limits nonstop flights from National Airport to points within 1,000 miles. The purpose of the rule was to draw a line between the roles of Dulles and National, the former principally as an airport for long haul flights, the latter for shorter trips. As such, it is an airport proprietor rule and the bill transfers jurisdiction over it to the new authority.

Let me now talk for a moment about the costs of transfer. We do not propose, as you know, to sell National and Dulles Airports at all. We propose to transfer them, and the 35-year lease is designed to provide oversight for the Congress during that period of time.

The airports have already been paid for once, and I think it is important for us to keep this in mind. They have already been paid for once by the airport users, except for $47 million, which is the difference between the amounts that have been appropriated and the amounts that have been received in the way of revenues. And

that amount, that $47 million which we expect to be the approximate figure by the end of this fiscal year, will be paid off over the life of the lease by the authority. Now, why should the users then have to pay twice for the same facilities? What public interest would be served?

The bill requires that the new airport authority operate both National and Dulles as primary air carrier airports. Its revenues must be spent on the operating and capital costs of the airports, and only for that purpose. Under these conditions, we cannot expect a private company or a public agency to pay to operate them. They would not be able to take profits.

The land at Dulles is needed for additional runways and buffer zones. In fact, additional land may be needed for a fifth runway. The bill explicitly excludes the sale of land as a proper use of transferred property.

During the term of the lease, if I or a future Secretary of Transportation determine that property is not being used for airport-related purposes—and there will be reviews of this periodically—then the land will revert to the United States for disposition. And at the end of the lease period, a thorough review of the properties will be made in light of then current operational needs and any unnecessary land will remain Federal property.

It rarely happens that competing forces can come to the kind of consensus that has been reached on this airport transfer proposal. I think it is very impressive, the work that has been done carefully, methodically. And the reason for this is clear: The merits all point to the same conclusion.

We have made greater headway than in the past because it makes good sense and we have laid the proper foundation. We have engaged in a continuing dialog with all interested parties and we have made genuine efforts over many months to be sensitive and to be responsive to the needs of all those who have an interest in these airports.

We have come to Congress with a carefully constructed plan that I believe represents good government, for through this legislation we can assure the future of these airports for the next half century.

I thank you for the opportunity to express my strong commitment to the transfer proposal. And Madam Chairman, I would also like to submit for the record a longer statement, as well as a statement by Don Engen, who is our FAA Administrator, who was not able to be here today.

[The statements follow:]

STATEMENT OF HON. ELIZABETH HANFORD DOLE, SECRETARY, DEPARTMENT OF TRANSPORTATION

Madam Chairman and members of the subcommittee, I appreciate this opportunity to come before the committee to urge prompt enactment of S. 1017, a bill that will improve the facilities and management of the airports serving the Nation's capital, Washington National and Washington Dulles International, by transferring them from the Federal Government to an independent regional public authority. With me today is Linwood Holton, former Governor of Virginia and chairman of the advisory commission that developed the basic proposal we are discussing today, and Jim Wilding, director of the metropolitan Washington airports, which operates the two airports for the Federal Aviation Administration.

My concern over problems at the two airports led me to the conclusion that they should not continue to be operated by the Federal Government. Therefore, in June of last year I appointed a commission made up of Federal, State, and local officials and airport users to determine how a transfer should be accomplished. It is important to understand that I did not ask the commission whether to transfer the two airports, but how to do so. Under Linwood Holton's patient and skillful chairmanship, a consensus was reached.

I believe the problems we are trying to address are obvious to all of you who use the airports. Under Federal control, budgetary concerns have meant that improvements to the facilities are slow in coming. National is known for its ground traffic and terminal congestion, for its outdated and inadequate terminal buildings, its lack of parking, and the long walk to the Metro. Dulles is known for its mobile lounges, and more recently for facilities strained by the rapid growth in service now taking place. It is congested at its peak hours, and is hard pressed to keep up with parking demand.

At any other U.S. airport, the answer to these problems would be simple. All other U.S. airports can finance necessary improvements with the proceeds of revenue bonds and grants from the FAA's airport improvement program. But National and Dulles—the only two air carrier airports owned and operated by the Federal Government—must obtain all their funds through separate items in the Federal budget.

These present deficiencies are a direct result of the anomaly of Federal ownership. All other U.S. air carrier airports are operated by State or local public authorities that are best able to respond to local needs. Washington deserves the same for its airports. They simply do not get the attention they deserve from Federal officials whose responsibilities are necessarily national in scope.

The reason for Federal ownership of the metropolitan Washington airports is largely historical. National was built by the Government in 1940 to replace an inadequate facility. Almost since it opened, there has been general agreement that National—and Dulles as well—should not be operated as a conventional Federal agency. Many attempts have been made to change its status.

But now for the first time there is a consensus among local governments, the administration, many Members of Congress and the airport users about how this should be accomplished. I believe that the Holton commission plan embodied in S. 1017 deserves early passage by the Congress, for the benefits of transfer run not only to the greater Washington community, but to all users of the airports, to you and to all your constituents who visit the Nation's capatal by air. But quite aside from all the benefits, transfer of the airports to a regional authority is simply good government.

Now is the time to act. The foundation has been laid. Virginia has already enacted the necessary enabling legislation, and the council of the District of Columbia has completed hearings on an identical bill.

The general outline of the Holton Commission plan is very simple:

Transfer to a new authority, created by Virginia and the District of Columbia, with the same powers and duties as any other U.S. airport authority.

The transfer would be by lease, to be followed by outright transfer of title. This would enable Congress to exercise oversight during the 35-year period of the lease.

The authority would pay to the Government: (a) approximately $47 million, the difference in the amounts appropriated for the two airports and the revenues collected and (b) $30 to $40 million, the estimated future unfunded liability of the employee pension plan.

The authority would be obliged to operate both National and Dulles as primary air carrier airports.

Employees of the metropolitan Washington airports would be guaranteed their present jobs and pay levels for 2 years, as well as equivalent benefits and retention in the Federal pension system.

BENEFITS OF TRANSFER

Air commerce is essential to the economic well-being of any metropolitan area, and choices over airport development and growth should be made, to the degree possible, by officials interested in the region's development. Economic growth in the Washington area has been phenomenal in the past two decades, and Dulles and National are critical to the region's vitality. Yet airline service has not kept pace. The limited capacity of National and the mobile lounge facilities at Dulles inhibited development of a modern air carrier hub and spoke operation. Without such feeder service available, Dulles was sadly underutilized. Until about 1981, there was only

one direct flight from Dulles to Chicago, and none returning. Until this year, there were only occasional flights from Dulles to New York and Boston.

In the past few years, the carriers have decided to proceed with increased air service at Dulles even without improved facilities, and the travelers have responded. New York Air and Pan American have recently announced hubs at Dulles. New York Air is already operating through temporary gates constructed by the airline. These decisions underscore both the growth potential at Dulles and the need for new facilities. But there is a limit to how many temporary structures we can permit at Dulles. They are neither particularly efficient, nor especially attractive.

With this transfer, a new authority can develop a strategy for permanent improvements and can quickly issue the bonds necessary to support such projects. Without this transfer, we can expect demand to continue to outstrip the ability of government funding to respond, as traffic at Dulles grows.

At National, a new authority can easily solve problems that now appear intractable. Adequate parking facilities could do much to alleviate the traffic congestion. Redesign of the road system would clear up the rest. A metro connector would shorten the hike from the station to the terminal. Rehabilitation and refurbishing of the terminal buildings would improve National's appearance, as well as make it easier to use.

These benefits will result from the only fundamental change that transfer will bring—A change in the way the airports are financed. Once the authority settles on a development plan for its airports, it will have the ability to enter capital markets or otherwise proceed to carry them out rapidly. We are all too aware in today's deficit-conscious climate that there will not be room in the Federal budget for multimillion-dollar capital improvements at National or Dulles in the foreseeable future. But even absent the deficit problem, annual funding through appropriations just dosen't make sense. There is no need to seek congressional approval of every project, major or minor, that must be undertaken at National and Dulles. The process is slow at best, especially compared to the speed with which funds can be raised in the private market.

The Department cannot support S. 1110 for the very reason that it attempts to resolve all the complexities of developing these two airports with a one-time infusion of $250 million in Federal Funds. In my view, this would simply perpetuate the problem by trying to manage a local matter through the Federal budget, and highlights the pressing need to turn these issues over to a local regional authority.

STRUCTURE OF THE AUTHORITY

Given the efficiency of existing operations at the airports, the Holton commission did not propose reorganization of the entity now operating the airports. It focused rather on a board of directors to replace the complex structure now in place. We now have a board of directors including members in the FAA, the Department of Transportation, the Office of Management and Budget, and the Congress, and probably a few more I haven't thought of. The commission proposed to replace all the Federal overhead with a single board of directors, the members of which we will all be able to identify.

The commission readily agreed on the basic structure of the board. It recommended that members be appointed by the chief executives of the District, Maryland, and Virginia, that they live in the metropolitan Washington area, and that they serve without compensation. Five members would be appointed by the Governor of Virginia; three by the Mayor of the District of Columbia; two by the Governor of Maryland; and a single member to be appointed by the President, with Senate confirmation. To assure broad consensus, seven votes would be required for major capital projects and approval of the annual budget.

The compromise reached gives weight to two factors: the source of passengers at the two airports and their location in Virginia. The seven-vote rule guarantees that major decisions cannot be made without at least one vote from each side of the Potomac. This allocation has been criticized by the Maryland interests for not providing adequate representation to Maryland, since about 40 percent of the metropolitan area population lives there. I believe this argument misses the mark. Regardless of their population, the Maryland suburbs of Washington provide only about 18 percent of the passengers at all three area airports. Their share at National and Dulles is somewhat less. Thus Maryland's 3 board members out of 10 locally appointed members appears to be a fair allocation based on actual passenger use.

RESPONSIBILITIES OF THE AUTHORITY

The basic thrust of the Federal legislation, as well as the District and Virginia bills, is to create a public airport authority with the same rights and duties as other U.S. airport proprietors. For that reason, we have attempted to keep special restrictions to a minimum.

There are, however, some important requirements built into the new authority's charter. First, while the authority has broad powers, it also has a single purpose—operation of both airports as primary airports serving the metroplitan Washington area. It is not a general purpose port authority, and is not permitted to engage in any business other than operating airports.

Second, the authority must use all its property for airport purposes. This precludes real estate development projects, such as a shopping center or commercial development not related to the airports' basic business.

Third, the authority must keep the airports open to all on fair and reasonable terms and without unjust discrimination.

Fourth, the authority will step into the shoes of the FAA with respect to all ongoing airport business matters, such as contracts and litigation, as soon as the transfer occurs.

Fifth, the authority is required to provide a pay and benefit package for its employees equivalent to their present arrangements with the Federal Government.

AIRPORT EMPLOYEES

I want to take special note of the extraordinary contribution of the men and women who operate these airports. The FAA employees at National and Dulles constitute the leanest, most cost-effective airport workforce in the Nation. Transfer could not succeed without them.

All who deal with the airports recognize the quality of the staff there. S. 1017 therefore contains important measures to preserve all their current rights and benefits. Employees of the airports would be guaranteed their present jobs and salaries for 2 years.

THE FEDERAL INTEREST

It is easy to assume that Federal control is important to protecting Federal interests. But in this case I am confident that Federal interests will be adequately protected under the terms of the transfer legislation.

Many aspects of operations at the airports will remain Federal, as they are at all other airports. The air traffic system will of course remain in the FAA's hands. That includes not only the tower and air traffic controllers, but also the high density rule, which requires IFR reservations—better known as slots—for aircraft operations at National.

This means that the transfer itself will not have any impact on airline schedules at National, and that general aviation pilots will obtain slots the same way they do today—directly from the FAA. Nor will transfer change any aspect of airline service. Service arrangements will still be made with the carriers.

AIRPORT REGULATIONS

In addressing the several regulations applicable to the airports, our goal was to treat the new authority as much like all other airports as possible, with safety and air traffic rules remaining with the FAA, and proprietor rules transferring to the authority.

As all interested parties met over the months, some compromises evolved. First, the annual passenger cap, technically part of an FAA airspace rule, will be removed and replaced by a statutory freeze on the current number of slots available to air carriers at National. The freeze assures air carriers and travelers that flights at National will not be reduced below present levels, except for reasons of safety, and at the same time assures the community that the number of flights cannot be increased either. With the continuing replacement of older, noisier jet aircraft with the quiet new technology models, the slot freeze guarantees that noise levels around National will continue to decrease.

As you know, I have supported a reduction in the passenger cap, but I am convinced that a slot freeze is a reasonable substitute and the compromise enables us to progress toward the larger goal of airport transfer.

As to the nighttime noise rule, since it is proprietary in nature, the bill provides that it be transferred to the new authority but that the noise levels be frozen at present levels. However, since the bill was submitted, there has been general agree-

ment that the levels should not be frozen. As the bill's sponsors are aware, we would therefore support an amendment to transfer the full responsibility for the noise rules to the new authority.

A third major element of the 1981 airports policy has been the perimeter rule, which limits nonstop flights from National airport to points within 1,000 miles. The purpose of the rule was to draw a line between the roles of Dulles and National—the former principally as an airport for long-haul flights, the latter for shorter trips. As such, it is an airport proprietor rule, and S. 1017 transfers jurisdiction over it to the new authority.

COSTS OF TRANSFER

At present, U.S. air carrier airports are not operated for profit. They are operated by public authorities, or agencies of State or local government, and all their revenues are used to pay their operating costs and debt service. Typically their rates and charges are adjusted annually to assure that they break even. The Congress has codified this approach as a condition to grants-in-aid to airports under the Airport Improvement Program.

We do not propose to sell National and Dulles at all; we propose to transfer them. The airports have already been paid for once—all but a remaining balance of approximately $47 million—by the airport users. Any additional sales price would be passed on to those same users. Why should they have to pay twice for the same facilities? What public interest would be served?

S. 1017 requires that the new airport authority operate both National and Dulles as Primary air carrier airports; it is limited to expending its revenues on the operating and capital costs of the airports. Under these conditions, we could not expect a private company or a public agency to pay to operate them.

If we transferring the land Dulles and National are built on without any restrictions as to future use, then we would most certainly seek the highest bidder. But the authority that receives these airports has no choice but to use the land for airports, and no way to profit from that use.

At present, the airports have a positive cash flow—$16 million from operations last year—but that amount is all applied on FAA books to reducing the hypothetical debt to the Government. The $47 million represents an estimate of the debt remaining at the end of this fiscal year. If the airports are not transferred, ultimately the debt will increase if and when the Government funds necessary improvements. When that happens, the treasury books will show a negative cash flow, which will increase the deficit.

Notwithstanding that the airports will not be permitted to make a profit, we agree that the transfer should not carry with it valuable developable land, the sale of which could benefit the Government. This issue was disussed extensively within the Government before our proposed bill was transmitted, and I reached an agreement with Dwight Ink, the Acting General Service Administrator, on how we would protect this Federal interest.

The bill explicitly excludes sale of land as a proper use of transferred property for the term of the lease. It also provides for a review process over the use the authority makes of transferred property. During the term of the lease, if the Secretary of Transportation determines that any portion of the property is not being used for airport related purposes, that portion of the land will revert to the United States for disposition. At the end of the lease period, a thorough review of the properties to be transferred will be made in light of then-current operational needs. Any unnecessary land will remain Federal property.

CONCLUSION

It rarely happens that competing forces can come to the kind of consensus we have reached on this airport transfer proposal. But the reason for this is clear: The merits all point to the same conclusion. We have made greater headway than in the past because we have laid the proper foundation. We have engaged in a continuing dialogue with all interested parties and made genuine efforts over many months to be sensitive and responsive to everyone's concerns.

Thus we have come to Congress with a carefully constructed plan that not only will enable modernization of our airports, but also represents good Government. Regional control offers the Washington community an opportunity to address regional transportation issues at National and Dulles, tow airports which represents the economic vitality and promise of this area. It is very important that we seize the moment and move forward together.

Thank you for this opportunity today to express my strong commitment to the transfer proposal.

STATEMENT OF HON. DONALD D. ENGEN, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

Madam Chairman and members of the subcommittee, I appreciate having the opportunity to submit a brief statement supplementing Secretary Dole's testimony concerning the importance of enacting legislation to transfer National and Dulles airports to an independent regional airports authority. I regret that I am unable to appear in person before the subcommittee on this important issue because of other congressional commitments.

Since Secretary Dole's testimony comprehensively discusses the merits of transferring National and Dulles from Federal to local control, I wish to stress briefly two key points, so that the remarkable group of employees constituting FAA's workforce at National and Dulles not be slighted in the proposed transfer.

Throughout the process of developing a proposal to transfer the Airports to a regional authority, from the initial Holton commission recommendations through the extensive drafting process, we have all focused on assuring the equitable treatment of the 650 employees who work at the airports. These individuals faithfully perform the many functions necessary to keep the airports running efficiently and safely. Their tasks range from law enforcement to groundskeeping to firefighting. Regardless of their job, these employees have been the key to running our airports as well as any in the country. We are proud, and justifiably so, of the outstanding work they perform on behalf of the traveling public.

We have made special efforts in the development of this legislative package to assure that the FAA employees at the airports remain secure in their jobs and can choose employment benefits best for each upon transfer of the airports to the airport authority. I believe that the employee provisions of our bill are needed for the benefit and protection of our employees. These provisions, dealing with health benefits, salary, retention, and the like, are key elements of our proposal, not only from the perspective of recognizing the important contributions these employees have made but in terms of assuring the continued availability of this outstanding workforce to the new airport authority.

I would also like to note that, from my perspective, it is important for Congress to move quickly now to enact the pending transfer legislation. I wish to make clear to our airport employees that the bill protects their interests in the best way we know how, but we have effectively introduced a large element of uncertainty into each person's career that only Congressional action can resolve. It is my goal to maintain employee morale at the airports and aviod uncertainty in their future status. This uncertainty could develop if there were substantial delay in enacting transfer legislation.

The second key point is that there is an operational imperative to improve each of these two airports to accommodate to passenger traffic. The passengers deserve no less. The transfer of authority will, in my view, enhance the capacity to improve operations at both airports.

Thank you for providing me the opportunity to offer my views.

Senator KASSEBAUM. Thank you. That will be made a part of the record. Thank you very much, Madam Secretary. I certainly concur that it has been a very carefully thought out effort.

Governor Holton, as chairman of the Holton Commission, do you have any comments you would like to make before we go to questions?

Governor HOLTON. I think not. I think the Secretary has covered it very adequately. I do strongly support the transfer that is set forth in the bill, and I would be glad to answer any questions.

Senator KASSEBAUM. Thank you.

Secretary Dole, do you anticipate any major changes that would result from the transfer?

Secretary DOLE. Yes, I refer to the improvements that would result from the transfer in the way of capital construction. The midfield terminal at Dulles is essential, and also refurbishments

and a people mover at National. Let me go into that in a little detail.

The reason that the midfield terminal is so important at Dulles is that, right now, it is not possible to utilize Dulles to its fullest potential as a hub-and-spoke operation. As a hub it is not really useful now because of the reliance on mobile lounges, and the midfield terminal would enable passenger, using a people mover, to go out under the runways to a facility where the planes could come right up to the gates. And this would mean that the hub concept would then be effective at Dulles, and Dulles would be much better utilized than it is today.

As far as National is concerned, the terminal needs refurbishment. The access road certainly needs a great deal of work on it, and we need a people mover to connect the Metro station to the terminal, and certainly parking is a great problem right now. These improvements would do a lot to clear up the congestion. We anticipate that there would be a parking facility, and that private sources would probably come in to do that. All of this would take place as we put the two airports on a different funding basis.

Senator KASSEBAUM. As you and the commission looked at this did you give any thought to the citizens in the area perhaps feeling they would have a stronger voice in the decisions effecting the operation? Noise level, of course, has always been a major concern, and I think just the traffic congestion——

Secretary DOLE. Yes, that is true. These are issues that are very much of concern to the local community. And as economic development goes forward, they are both issues that rightfully should give them a voice.

As far as noise is concerned—and let me say again that all parties were consulted—there has been really a continuing dialog, and it continues as we speak, because we value the input from all sources on this important legislation. And certainly Governor Holton, during the time that the commission was meeting, talked with all of these organizations, and they have been very helpful in putting together the proposal which is incorporated now in proposed legislation.

As to noise, with the proposed slot freeze at National, at 37 air carrier operations an hour, this means that the noise situation will only get better. It will not get worse, because as new technology comes on line, the stage 3 aircraft as we call it, the ratio of quiet aircraft is going to continue to improve. Right now about 10 percent of the fleet using National is stage 3 aircraft, and by the early 1990's we expect it to be about 50 percent; by the year 2000, 100 percent. But it is definitely important to have the local input on those kinds of issues.

Senator KASSEBAUM. I would just like to reinforce your comment on the proportion of the aviation trust fund moneys which would realistically be required under the legislation introduced by Senator Hollings. As one who has fought very hard to maintain those funding levels since becoming involved in the Aviation Subcommittee. I have, together with Senator Cannon who is here with us today, grave concerns about the large amount that would be taken from the trust fund for improvements on just two airports. That would, I believe, result in a significant loss of available funds for

all the other airports; the point you made in your opening statement is well taken.

Secretary DOLE. Also the $3 billion in the trust fund that is not committed at present. That does not mean there are not plans for it. It is due to some delays that were necessitated in the mass plan, but the modernization of the air space, the National Airspace System Plan, accounts for much of that money, which is already planned for obligation at the point that the contracts will be let. And so it is not a matter of money just sitting there that is not planned for. It is very definitely already part of a plan, though not necessarily a commitment at this point.

As you know, all three parts of the trust fund expenditures are under Appropriations. The AIP Grant Program is contract authority, but at the time that outlays are made, they are on-budget, not off-budget. That means that this matter is not something that does not count against the deficit; it does. And we would have to make it up somewhere else.

Senator KASSEBAUM. Thank you, Madam Secretary.

Senator Exon.

Senator EXON. Madam Secretary, thank you for being here, and thank you for suggesting this proposition. Generally, I like the idea of getting the Government out of business in general and airports in particular.

I think we should not overlook the fact, though, and I think you will agree, that this is the Nation's Capital, and the proper service has been brought out by Senator Hollings, I think, as an overriding factor over and above most other—maybe all other airports in the United States.

Let me get down to the specific question as to how we are going to resolve the confrontation before us. I think you earlier heard my suggestion that possibly the concerns of Maryland might be overcome by a rebalancing of the commission. Maybe equal representation from Maryland and Virginia and then possibly the Secretary of Transportation or other people appointed by the President, people not attuned directly to the development interest of either State, who could be the swing votes on the commission. That might alleviate what is a concern of mine as to whether or not Maryland would be adversely affected by this legislation.

There is a potential, I would imagine, for substantial economic development around these airports. We all know that that is a factor in this, and I suspect that that is one of the reasons that Virginia is as interested in the transfer proposal as it is. And that is not a bad reason; it is probably a good reason. I know Governor Holton is here. Maybe he could respond also to this question Has as much effort been given as should be for some kind of balance on the the airport authority hat might alleviate the concerns that some have in this particular area?

Secretary DOLE. Let me just speak to this first, and then I think it would be good if Governor Holton gave you a little of the flavor of the discussions as the commission met. And I am sure that they did thoroughly consider this and discuss it.

Representation on the airports authority board of directors is based on enplanements basically. In other words, as I mentioned in my testimony, the Maryland suburbs represent about 40 percent of

the Washington area population, but only about 18 percent of the passenger traffic at all three airports, and less than that at National and Dulles. So roughly speaking, 2 out of 10 local representatives is a fair allocation based on enplanements, the amount of traffic from each of the jurisdictions utilizing the airports. And then, of course, the fact that both airports are located in Virginia does have some role to play in this.

But speaking of Baltimore-Washington Airport for just a moment, let me just make one point, if indeed there is a concern that somehow or another moving forward on this is going to be detrimental because of a cross-subsidy, that landing fees will be kept low at Dulles. If there is such a fear of competition from Dulles, then this project should be something that Maryland would welcome, because the landing fees are low now. There has been no major capital construction at these airports in many, many years. Thus, the landing fees are low, but they have not drained traffic off from Baltimore.

Now, the landing fees will go up under our proposal. As you go forward with revenue bonds, then, of course, the landing fees will have to be raised to support those bonds. Don't worry about low fees, they are going to be higher under a transfer of National and Dulles. That I just do not see as a problem.

There may be a concern about a package deal here, transferring the two airports together—which is a very efficient way to manage them, and something that has worked well in terms of economies and so on. But if there is concern there, let me just say that certainly if there were a way to obtain further efficiencies from the combination, the Federal Government would have done it already. In other words, it would have been more feasible to do it immediately under the Federal Government rather than under the regional authority, but indeed, it has not worked that way. Traffic has gone up in Baltimore by 28 percent over the last year, compared to 20 percent at Dulles, and 2 percent at National.

Comparing international flights, there are more of them at Baltimore than Dulles, and they have increased more at Baltimore lately than at Dulles. So I really think that for Maryland to object to permitting these two airports to simply refurbish and utilize facilities fully is not evenhanded. You know, they are not objecting when Philadelphia or Wilmington goes forward with their projects to refurbish or to construct new facilities. I think there is not the kind of concern here that Maryland seems to be anticipating here.

Governor HOLTON. Madam Chairman and Senator Exon, particularly on this question of the allocation of the board of directors membership, that was the toughest issue that the commission had to consider. We even had to adjourn one of the meetings because we just were not anywhere near a reconcilable position.

A big issue is the fact that it is generally thought that two airports are located in Virginia. There is some question by some people on that because of where the low mean water line of the Potomac River is on the south side. But most people concede that they are in Virginia, and that gave Virginians a very heady position. It was hard to get them to say that they would accept less than a majority.

The mayor of the District of Columbia was very interested in having a situation where there was not a majority against him, and the Maryland people really did not participate very much in this decision because they were defending their ownership of BWI. They would not participate in any discussion that would involve bringing all three of the airports together, which of course would have involved a different allocation of the membership of the board of directors.

So we on the commission unanimously, except for people who live in Maryland, made this allocation on the basis of five to Virginia and five to the people on the other side of the river, a combination of the District and Maryland, with a tiebreaker to be appointed by the President. That also coincides with the participation in the airport usage by people who live in Maryland. It is about 20 percent, and they have 20 percent of the 10 people.

Now, importantly, Senator, there is a provision that seven people have to vote for the annual budget or for bond issues, so this does give protection that none of the jurisdictions, even Virginia with five, which it has because the airports are located geographically in Virginia, can pass a budget by itself, so there is going to have to be a partnership participation here, and I think there will be.

Senator EXON. Governor Holton, let me say that while I can tell that you thought you strived to be fair, and I am sure you did try to be fair, it may be overlooking a situation that is a much bigger, in my opinion, a much bigger package than just what happens to Virginia or Maryland or for that matter Washington, DC.

Oftentimes we forget why the District of Columbia was formed. On your commission there is only one appointee, as I take it, that appointed by the President, which one would assume would be from outside the area. But it could be the President could appoint somebody from Virginia or Maryland.

Governor HOLTON. Or from anywhere else. There is no restriction on where that person would be from.

Senator EXON. Is there any criticism that the proposed airport authority is not represented as heavily as it might be by the general traveling public, the other 48 States of the Union that have a major part to play in air service into the Nation's Capital?

You people in Virginia seem to think just because you are located adjacent to the District of Columbia, which is an advantage for you, that you are going to capitalize on it even further. There are those of us who admire Virginia, we think you are great people, but we recognize that you do have a stake in the business development, economic development of this area.

Therefore, is it a possible criticism of the commission that the public at large, the traveling public at large, consumers will not be as involved in decisionmaking at the airports as they should be?

Governor HOLTON. Senator, I want to confess that I am as provincial as anybody you will ever meet about my love for Virginia.

Senator EXON. Yes. I know you are from Virginia.

Governor HOLTON. Yes, sir. But my interest in this bill is in service to the public. I am very, very serious about that. And I think this bill provides the way that the service can be improved. I want Senator Hollings to be able to get in and out, and I want all of my other constituents over there to get in and out and have a place to

park at National, and I want the additional service that Dulles can provide.

My judgment is that these three airports by 1990 or 1995 are going to be hard-pressed to take care of all the business that they are going to have to handle. So I am looking for a way to run the place better than it is today where it gets to be where a prominent U.S. Senator writes a Dear Colleague letter and says National Airport "is falling apart." I want to put it back together, and I know that the local management with bonding capacity can get it done. I do not know that the U.S. Congress will appropriate the money to do it right now when it needs to be done. So the board of directors is really, to me—in spite of my provincialism about Virginia, that is not important—the board of directors is comprised the way it is in this recommendation because there is a general consensus in support of it that way. And I would be concerned to try to reallocate, because I know how those fires burn if you start making the changes. And I think it is a compromise that we reached taking into consideration all of the pressures that we could hear. It is an arbitrary decision to be five from one side of the river and five from the other, but it is one that I think will work, and I think it will pass the Congress, and I know if it does, it will provide the improvements that are needed at both places. So the makeup of the board of directors is not critical, except that I think if you fool with it much, you will keep the bill from passing.

Senator EXON. Thank you, Governor Holton. Thank you, Madam Chairman.

Senator KASSEBAUM. Senator Trible.

Senator TRIBLE. Thank you, Madam Chairman.

First of all, let me applaud your leadership, Madam Secretary, and that of Governor Holton in presenting to us a balanced bill, one that reconciles as the competing interests that are important and diverse.

Let me follow up on some of the questions that have been asked. First, let me tackle the Maryland objection, and then we will go into the broader national interest that has been discussed this morning.

Our friends in Maryland seem to suggest that we are engaged in here a zero-sum game, that to the extent Dulles is improved the fortunes of BWI are diminished. That would not seem to square with the demographics and growth of this area. It seems to me that there is more than ample growth in the Washington metropolitan area to support three viable airports. Indeed, the challenge is to improve the facilities in order to meet that increasing demand.

Would you respond?

Secretary DOLE. Yes, I think that is absolutely right. There is plenty of traffic for all three airports, and there is a slot freeze at National. We have to remember that the slot freeze is pursued, that there will be traffic going to Baltimore and to Dulles rather than to National because of the freeze. And I am certainly of the opinion that there is plenty of traffic for all three airports.

There was a Council of Governments survey done in 1981 and 1982 which showed that the people using BWI prefer to use BWI, that service patterns and preferences are settled there. There is 21 percent usage at BWI; 21 percent preferred to use BWI. It also

showed that a third of the people using National preferred to use another airport if there was equivalent service elsewhere. And it showed that 12 percent used Dulles out of the group surveyed, but 21 percent preferred to use it if there was the appropriate service there. So in terms of the patterns, Dulles is basically going to receive more traffic from National, and Baltimore is pretty well set—in terms of the people who are using it prefer to use it.

BWI's growth has been more than Dulles or National in this past period of time, and BWI is receiving more international flights. So I agree completely that there is plenty of room, there is going to be a lot of growth, and both airports are going to be needed because that ceiling applies at National.

Senator TRIBLE. The Marylanders also argue that BWI should be considered a vital part of the Washington metropolitan community, and indeed it is. But they are reluctant, it seems, to join the other two airports in an authority.

Continuing with the line of questioning of Senator Exon, what would be your response to the idea that all three airports be managed by a commission. Second, what would be your response to the suggestion in the press and of Governor Hughes today in his prepared testimony that Maryland might offer to buy the two airports?

Secretary DOLE. Well, first of all, in terms of BWI being a part of a tripartite airport commission, that was something that we were willing to discuss early on, but it was very much opposed within the commission by the Maryland members. That was just not an option that was ever feasible because they opposed it.

Now, the idea of Maryland buying the airports, I first of all find it hard to believe that that would be acceptable in the Maryland legislature. I think that there are perhaps other Maryland transportation needs that have a priority for funding, other than buying these two airports.

I would have to question just how the motive there works out, frankly, because airport revenues must be used for the operations and improvements at the airports. So if there were a bond issue in order to pay a higher price for the airports and landing fees were raised to support the bond issue, I think that means you would not be able to go forward with the capital construction that is needed at these airports. In my view, the revenues from the carriers and the concessions are needed to support the improvements at Dulles and National, not a high sale price.

And indeed, at the time the commission was meeting on this, it was felt that there was such a regional interest here that even though Virginia was actually the home of the two airports, that the authority should not be totally Virginia authority—because of the broader regional interests. Now, what does that say then about Maryland being the sole authority here when neither of the airports is even located there?

Also, there is a consensus built on this issue. There certainly would not be a consensus for that particular proposal by Maryland. And I think the months and months of discussions and dialogue that have produced this consensus with all the airport users, the major carriers, the regional carriers, the commuters, the business aircraft, many of the local officials, Members of Congress—means

we are ready to go forward. This is really ripe for action. But there would not be that kind of consensus and support for Maryland buying these airports.

Senator TRIBLE. Could you tell us how the price of this transfer was arrived at? There has been a great deal of discussion about the valuation of this property. Perhaps you might want to tell us if you have any differences with the Grace Commission's valuation of the property.

Moreover, let me point out that if this property was sold at $300 million or so any buyer would have to first pay the purchase price, and then would have to raise another quarter of a billion dollars or so to get these properties upgraded so they could perform their important mission. This seems to be a virtually impossible task.

Would you care to comment?

Secretary DOLE. Yes. The $47 million is derived in this manner. It is the difference between the amount that has been appropriated for the airports over the years and the amount that has been received in revenues and deposited in the Treasury. That is basically the "hypothetical debt". Obviously, you do not pay back what is appropriated, but in figuring out landing fees and concessionary rates and the rest of it, we have used a very businesslike cost-recovery accounting system so that we know exactly how much has not been paid back on this "hypothetical" debt to the Treasury. Revenues have been returned in the past. In fact, right now there is a positive cash flow to the Treasury.

But if the money had been lent rather than appropriated, there would be a difference of $47 million that would not have been paid back. That is the amount that the authority would pay under our bill so that then users would have literally paid for the airports, period. And I think it would be unfair to ask those users to pay again, because they have paid for their use when they repaid all but that $47 million.

Now, in addition there is $30 to $40 million of future unfunded liability in the airport employees' pension plan. The Government pays 7 percent of salary, and the employees 7 percent, but there is an additional amount of future liability that is not paid for on a current basis.

The authority, as a "cost of doing business" at the airport, would pay that $30 to $40 million up front in a one-time payment discounted to present value, and that would go straight into the Treasury. The $47 million would be over the period of the lease, about $3½ million a year.

Now, as far as the Grace Commission's $342 million estimated purchase price that was arrived at by simply looking at how much landing fees might be increased, using averages from around the country at other airports, arriving at a stream of earnings based on a projection on those landing fees. And just as you say, that higher price proposed by the Grace Commission would mean that landing fees would have to support the payment of that higher price rather than supporting revenue bonds to engage in capital construction. The whole point of this proposal is to get improvements at National and Dulles.

We are proposing this transfer in the public interest. We have no other goal here. Adequate capital improvement has not occurred

with the Federal Government operating the airports. This needs to be done. Because we are involved in deficit reduction, we are not going to be able to support funds coming out of the Federal Government to undertake these projects now, and they are very, very needed. Not figured in the Grace Commission price was the cost of capital to build improved facilities. And once again, airport revenues have to be used for "airport purposes" under our bill, so they cannot be taken out in the way of profits.

Governor HOLTON. And the land, Madam Chairman, has to be used for airports. I have several times been asked this question in the course of these discussions, and my response may be oversimplified, but I do not think so. I have said I would be glad to buy that land for $350 million if I can use it for whatever I want to use it for. It would make nice apartments or building sites and so forth.

But you cannot do that. This legislation provides that airports must be operated on the two sites, and the land reverts if they are not used for airports. So the consideration for the transfer becomes quite nominal when you assume that the person who acquires the airport has to upgrade airports and has that obligation.

Senator TRIBLE. Madam Secretary, I have other questions, but I know my colleagues do as well, so I will yield to them.

Senator KASSEBAUM. Senator Inouye.

Senator INOUYE. Thank you.

Madam Secretary, I listened to Senator Mathias with great interest. He spoke of inequities at the present time where the Federal Government provides 100 percent support for site acquisition and improvements, for National and Dulles Airports whereas in the Baltimore-Washington Airport the State has to pay a major portion of it. And then he went further to suggest that with the passage of this measure, you would continue the inequities permanently.

In an inquiry he suggested that the inequity could be taken away if somehow arrangements can be made to cover some of the costs that Maryland has entered into for site acquisition and for improvement at Baltimore-Washington International, because at the present time this bill would grant to an airport authority all of the land and the improvements at no cost.

Secretary DOLE. Well, as for inequity—all of the amount that has been put into National Airport and Dulles will be repaid when that $47 million is repaid, the amount we anticipate would remain by the end of this fiscal year. It is actually higher right now, but the $47 million " balance" owing is the estimate for the end of the fiscal year. When that is repaid by the authority, then all of the money that has been put in by the Federal Government, the land, everything, has been paid for by those who use the airports. I think that is very fair. About $10 to $16 million has gone into capital improvements at the airports each year over the last 5 years, which is not a lot of money going into improvements and refurbishments there.

So I think it is a very fair proposal. Basically, we simply say: "Let us put these airports on the same footing as every other airport in the United States. Every other airport is run by a local or a regional authority as a public facility; and what business does the Federal Government really have of making every single decision about major and minor projects for these airports?"

And frankly, when you look at what has happened out there, I do not think enough has been done. I think they deserve an opportunity now to go on a different funding basis and make up for what has not been accomplished in recent years.

Senator INOUYE. Madam Secretary, I am aware that up until this moment Maryland has resisted being placed within the jurisdiction of this commission. If Maryland should have a change of mind and wishes to be placed within the jurisdiction of the commission, what would your position be?

Secretary DOLE. To add BWI to the package?

Senator INOUYE. Yes.

Secretary DOLE. We have always been willing to consider that. I do not foresee that happening, because there was strong opposition to that by all the Maryland members of the Holton Commission.

Obviously that would mean a number of things that would have to be rethought—no question about that—because a lot of details have been worked out based on the fact that Maryland had no interest whatsoever in moving in that direction early on.

Senator INOUYE. But if there is a change of mind, you would not oppose it?

Secretary DOLE. We would be willing to look at it certainly, and I think the Governor ought to comment on this, because the Commission went through this earlier on, and it certainly would mean a number of issues would have to be revisited.

Senator INOUYE. Thank you very much.

Senator KASSEBAUM. Governor Holton, would you like to comment?

Governor HOLTON. I agree that it would be something that certainly should be looked at if there is any indication that Maryland would be willing to put that airport into single management for all three airports.

But, Senator, I hope that something like that is not just used to delay the process. I think Maryland will say no, we will not put BWI into a central authority. They have said that throughout the discussions of our commission, and I believe that Governor Hughes, who is here, would repeat that today. I am not sure, of course, but I think there is no interest in Maryland in giving up what they consider, very justifiably, to be a very valuable asset in which they have made substantial investment, and which is doing well. I do not think they are going to give it up voluntarily to a commission, a regional commission.

Senator KASSEBAUM. Senator Ford.

Senator FORD. I will be brief and give my time to Senator Hollings.

Senator KASSEBAUM. Oh, dear.

Senator FORD. Thank you, Madam Chairman. I could not help but sit here and think about a good Republican, Abe Lincoln, who said when progress is made, someone gets hurt. And I think we are trying to make progress with National and Dulles, and I think our problem here is to see that people are not hurt. And basically, the people of Maryland seem to think that they are in some sort of jeopardy.

Madam Secretary, you said a few moments ago that Maryland would not object to what went on in Philadelphia, or Wilmington,

or other places, but were the improvements made by the Airport Improvement Program? Were the improvements made from that trust fund?

Secretary DOLE. Well, yes; all these airports are eligible. There is a formula allowance, and then there are some discretionary funds on top of that. It is about $178 million as opposed to a much higher figure for formula funding.

You understand, National and Dulles do not participate in the AIP.

Senator FORD. Yes; but Philadelphia and Wilmington, you made that statement, and BWI would not have any concern about that.

Secretary DOLE. My point there was simply that other airports go forward with the construction that they need to modernize, and you do not hear a hue and cry about that.

Senator FORD. Oh, you do not listen to the constituency, Madam Secretary, of the airports. I have three or four in my State. They are always banging me for some more money, and they do not get it.

Secretary DOLE. Let me just say that, in terms of supporting Federal legislation or opposing legislation to permit that kind of development to go forward in this case, I just think that, as was said earlier, there is a lot of room for growth in traffic at all three of these airports. Of course, National has a ceiling to prevent growth. I just do not see that this concern should have the kind of weight that it is being given.

Senator FORD. Well, we find ourselves in a very untenable position, I think, where we have colleagues opposing each other very vigorously. We will have Governors opposing each other, which I do not think watches well for what we want to do.

Now, when you talk about the Airport Improvement Program and the airport and airways trust fund, do you know approximately how much money is in that trust fund today?

Secretary DOLE. Yes; this year AIP is $925 million, but the entire fund is about $6 to $7 billion.

Senator FORD. In excess of $7 billion?

Secretary DOLE. Well, half of that is already committed, committed for use. The other half, which is about $3 billion, as I mentioned earlier, may not be committed, but plans are in place, and it is due mainly to delays in the NAS plan that it is not actually committed. So it is not as if it is just sitting there. It is intended for use to modernize our air space system through the year 2000, to double capacity and so on.

Senator FORD. I understand that. But the money is still sitting there, and it is available even though it is committed.

Secretary DOLE. Once those outlays are made, though, Senator—well, go ahead.

Senator FORD. Go ahead. I want to give you all the rope I can.

Secretary DOLE. The $250 million proposed by Senator Hollings' bill is not something that is off budget. In other words, in our deficit reduction efforts, that is something that has to be considered, because that would be an on-budget item.

Senator FORD. The fund is growing every year, though; it is not declining. I mean there is an increased percentage in the airport development fund annually. It is not declining.

Secretary DOLE. Right. As I say, $3 billion of it is already committed; the other is planned for, though not committed.

Senator FORD. Well, how many airports around the country use large amounts of local funds as Maryland has done for Baltimore-Washington International?

Secretary DOLE. I do not have the figure, but I would not think a large number.

Senator FORD. So it makes Maryland somewhat different and puts them in a little different position as it relates to having somebody in their back door get something given to them.

Secretary DOLE. Well, they made the determination that they wanted to invest that funding. That was their decision that they wanted to go that way. I think many airports utilize revenue bonds, and they utilize AIP.

Senator FORD. Sure; it is just like people make decisions on accelerated depreciation and leaseback, and now we find they are going to have recapture taxes now, so that kilters everything. So you make a decision on what you see today and what you hope will happen, but things basically change.

Am I correct that this piece of legislation will transfer all the restrictions that you now have to the authority if it passes? You have certain restrictions as it relates to slots, passengers, a thousand miles, et cetera.

Secretary DOLE. No; some would transfer. Those that are primarily proprietary rules would transfer, such as the perimeter rule, the nighttime noise rules. The slots are frozen, as I mentioned, and FAA retains responsibility under the high density rule for these IFR reservations, the slots. They also retain responsibility for traffic patterns, flight paths for all safety matters. That is FAA jurisdiction as it would be at any other airport.

Senator FORD. You are aware that there will be some attempt to amend this bill or amendments are floating around as it relates to the 1,000-mile rule?

Secretary DOLE. Yes; and I think that is something that basically should be decided by the regional authority. That is basically a proprietary rule.

Senator FORD. Governor Hughes does not come to this table with a lack of experience. If the newspapers are right—and we hope they are—he started back in 1972 as it relates to the Department of Transportation in Maryland. He has lived through the acquisition of BWI. He has a great deal of experience. And I notice as we go through the Norfolk Southern-Conrail operation that we have other ideas that are coming forward such as Morgan Stanley and its proposal for a purchase.

Are we then to just shun Maryland's idea of maybe purchasing both airports? Are we to put that aside, as you said, and not consider it at all?

Secretary DOLE. Well, I have not heard a firm proposal. It has been a rumor, something that has sort of been floating out there. But it is not clear that this was really going to be something the State of Maryland was going to propose.

Senator FORD. If it is as good as you say it is, maybe we ought to get Morgan Stanley in here and let them buy it. How good it is

with a return and that sort of thing, if we listen to Governor Holton.

Secretary DOLE. I do not understand what the motive would be. I do not see how the capital construction work is going to be done if Maryland buys at a price that requires landing fees and concession rates to support the price. I see some difficulties with it. But right now we do not have a firm proposal in front of us.

Senator FORD. Oh, I imagine rumor will turn into fact maybe.

Let us look at the transfer. There will be an indebtedness of about $47 million that the new authority will have to acquire.

Secretary DOLE. This amount is the difference between what has been appropriated and the revenues deposited in the Treasury, plus $30 to $40 million would also be paid for the unfunded liability in the pension fund.

Senator FORD. So what you will do then is transfer National and Dulles to the authority with an indebtedness at the end of the year of approximately $47 million?

Secretary DOLE. That is right, with the added $30-$40 million for pensions.

Senator FORD. Are you aware of how many acres are in this transfer?

Secretary DOLE. Senator, the point that was made earlier is the relevant point here. If you could shut down the airports and just sell off the land and build condominiums, then it might be worth a lot more than the Grace Commission evaluated it to be. But that is the point. It cannot be done that way. This property has to be used only for airports. That is locked in. And at Dulles, there is not, in our view, excess land. It has got to be used for a noise buffer and for runways, and it certainly cannot be sold off.

Senator FORD. I understand that, but when I read your statement, you say one thing factually that that is the way it is, and then we look back that it can be transferred, and it can be used for other things. If the land is not to be used, it reverts back to the Federal Government. The land I guess could be sold.

Secretary DOLE. First of all, let me say we do not feel there is excess land at Dulles. The land at Dulles is to be utilized, first of all, for another runway, a north-south runway. In fact, additional land may have to be purchased at Dulles for a fifth runway. Also, the land will be used as a noise buffer. So we do not feel there is excess land at Dulles.

If, in fact, at some point it was determined that some cross-runway was not going to be constructed or there was excess land, that land would revert to the Federal Government. In other words, we will do periodic reviews, as will the GSA, to determine if that land is totally being used for airport purposes, and if it is not, it comes back to the Government. There would be a final review at the end of the 35-year lease. And the Congress is going to have oversight during that entire period, if there are aspects of the transfer that you want to look into. But at the end of that 35-year lease, another in-depth review would be made of the land, and any land that is not utilized for airport purposes comes back to the Federal Government for disposition.

Senator FORD. Well, as I understand it, the Secretary of Transportation will determine if any portion of the property is not being used for airport-related purposes.

Secretary DOLE. That is right. GSA will also be doing periodic reviews.

Senator FORD. And that portion of the land will revert to the United States for disposition.

Secretary DOLE. Right.

Senator FORD. So that means you could do anything you want to with it.

Secretary DOLE. It would basically come back and the land would be, I assume, sold, and the money would be put into the Treasury.

Senator FORD. But there is the possibility of the land reverting to the Federal Government being sold.

Secretary DOLE. If it is not utilized for airport purposes. But again, let me just stress that we feel strongly that there is no excess land at Dulles.

Jim, you might want to comment.

Senator FORD. I do not want to stop you from commenting if you want to. She wants help, I guess.

Secretary DOLE. No. I want him to feel free——

Senator FORD. I want you to feel free as a bird, too.

Let me ask you one final question, Madam Secretary.

Donald Devine, the former director of the Office of Personnel Management, stated that the FAA police force was not underpaid, but all the other Federal police forces were overpaid. I thought that was a pretty good finding. He said that, I believe. I believe I am correct on that. I will stand corrected if I am wrong.

But last evening the news report indicated that the National Airport police force—and you may want to tell the fellow to your left to answer this—but that the National Airport police force is lacking by 25 percent adequate police protection, adequate, and the FAA police are being paid $5,000 to $6,000 less than other Federal police forces, so it is difficult to keep the National Airport police fully staffed.

Considering all the recent events and the need for passengers to feel protected when using this facility, what do you plan to do; and will OMB approve pay raises now since they have not in the past; and is there an adequate police force factored into this legislation in the transfer to the commission?

Mr. WILDING. I believe there is a general consensus that the number of people we have authorized in our police forces at both Dulles and National is adequate. But we have a very serious pay problem. In our view, our people are underpaid by roughly $4,000 to $5,000 a year. The Secretary has some initiatives under way right now to cure that and to make up the 38 vacancies that we have today out of a roughly 150 person force, a very serious shortage of people that we stopgap by working a lot of overtime. We need to fill up the authorized force. The answer is better pay, and the Secretary has some initiatives under way right now to do that.

Senator FORD. How long is that initiative under way.

Mr. WILDING. Well, the early part of last year the same sort of initiative was undertaken. OPM responded with a good deal less than the Secretary asked for, and in effect, we are back in there

asking for again what we asked for last year, which really gets us up to comparable pay levels in our view.

Senator FORD. The Office of Management and Budget has been rejecting all of this as it relates to any kind of increase, and that has then perpetuated a shortage of security at National.

Is it the same kind of shortage at Dulles?

Secretary DOLE. Well, I will have to get you a more complete answer on this, Senator. Basically we are trying to solve the difficulties here. There was some pay increase back a short time ago, but again, let me provide for the record the details on this.

[The following information was subsequently received for the record:]

As of June 21, MWA was authorized 156 police officer positions distributed as follows:

	Authorized	On board	Vacancies
National	105	79	26
Dulles	51	39	12

In November 1983, MWA requested special pay rates for its police at all levels that averaged between $3,000 and $4,000 more per position. Effective January 1984, the Office of Personnel Management approved a special pay rate for the entry-level and journeyman positions that amounted to $824 and $461 respectively.

Senator FORD. What adequate police force will we have, or will we have any better situation under transfer to this commission?

Secretary DOLE. Well, basically, as I mentioned, the main thing that happens under our bill is a shift in the way the funding will be provided. The employees transfer with a 2-year guarantee on their salaries and their positions.

Senator FORD. But they are $5,000 or $6,000 short.

Secretary DOLE. The pay situation transfers as is. The bill is not going to make a lot of changes. It is basically a change in the way the funding will be accomplished.

Senator FORD. How does that factor into the security?

Secretary DOLE. It is status quo.

Senator FORD. We will still be 25 percent short?

Secretary DOLE. As we say, we are trying to work on initiatives now to address that.

Senator FORD. It just seems to me that we are not gaining any security one way or the other, or any better security either under the present circumstances or under the airport authority unless it is going to have a whole lot more money than the FAA and they will be out from under OMB.

Secretary DOLE. Well, new revenues, of course, would be coming in. You have a different funding base. So I think there would be an opportunity to pay the police force more because of the different method of funding here. In other words, it is not a line item in the budget any longer. You have got your bonding authority, you have got the revenues coming in, and therefore it does make some difference.

Senator FORD. You had an $18 million surplus in operations last year, am I correct in that?

Secretary DOLE. $16 million.

Senator FORD. Well, that is pretty close for a country boy. So that goes back into the general fund, and we still are 38 slots out of 150 some odd short as it relates to the security at National Airport.

Governor HOLTON. Senator, the Authority could hire those people based on the market price because they would be operating the airports out of revenues, and OMB would not be able to stop the acquisition of the needed police force. That is one of the advantages. The management would be more like a business and less like a government.

Secretary DOLE. It would no longer be, as I say, a line item in the budget. You will have new revenues coming in.

Senator FORD. Well, it looks like you nave done a pretty good job of management if you have a $16 million surplus going back to the general fund. I do not see anything wrong with the management. That seems to be operated pretty well as a business.

Governor HOLTON. I have no quarrel with that, Senator. I am just talking about the fact that you are talking about 38 vacancies in the police force. They could be filled by the decision of the board of directors because just as you say, the board of directors has access to that $18 million surplus, and they could hire the new people and pay for it out of those revenues. And the revenues have been carefully analyzed, not just by a Virginia investment banker, though that was a good one, but also by one from New York, and subjected to review by many others who are familiar with accounting and financial statements, and the revenues of these two airports will support the operations and bond issues to make the improvements, and that is the major attribute of this transfer. We can get those improvements in force now.

Senator FORD. Well, it just indicates that you are going to increase the expenditures in both places.

Governor HOLTON. Today the money goes into the Federal Treasury.

Senator FORD. I understand that. I did not say that. I said you will increase the cost of operating both airports.

Governor HOLTON. That is quite possible.

Senator FORD. The way you are going to make your money is increased landing fees, and you have already said you are going to increase the salaries, and so the expenses are going to be somewhat greater, and that you are going to pay those off with the increased landing fees and the increased passengers, and yet we are going to give you tax free bonds if you hurry up before we get Reagan 2 in.

Governor HOLTON. I would prefer to do it with tax free bonds the way improvements have been made at all other airports. If the legislation is changed, these airports can still be self-supporting and pay for necessary improvements from the revenues.

Senator FORD. I am just going back to what the Secretary said. Very few airports use local money as BWI has done.

Secretary DOLE. We will get you a precise answer on how many airports use that. We do not have that data with us this morning, and I would rather get you something definitive on that, Senator.

Senator FORD. Thank you, Madam Chairman.

[The following information was subsequently received for the record:]

STATE INVESTMENT IN AIRPORT CONSTRUCTION

Baltimore/Washington International Airport [BWI] is funded differently from other U.S. air carrier airports. It is run by the State Aviation Administration, an agency within the Maryland Department of Transportation. Thus, it operates more like the Washington airports than an independent authority. Its revenues, however, go into the consolidated State Transportation Trust Fund (instead of the general fund, as in the Federal case), and its expenses are appropriated out of that fund. To the extent airport revenues do not cover expenses, they are met by other transportation revenues in the trusts fund—principally automobile registrations and transportation fuel taxes.

BWI does not issue revenue bonds pledged against airport revenues to support capital improvements. The Maryland Department of Transportation issues bonds, not tied to particular projects, peldged against all revenues of the trust fund. This is a hybrid between the Federal (metropolitan Washington airports) model and the typical independent airport authority. MWA projects are funded out of the general fund. To the extent the Federal budget operates at a deficit, those projects are financed by the issuance of Treasury bonds, which are supported by all Government revenues.

Where BWI differs most from other airport authorities, however, is in its approach to fees and charges. Other airports, including the Metropolitan Washington Airports, set their rates to recover both operating [O&M] and capital expenses. BWI has entered into long-term—15-year—agreements with air carriers, setting rates based on repaying capital costs alone. As a result, until recently, BWI's revenues have not even covered O&M expenses, let alone the costs of debt attributable to the airport. The difference has been made up out of trust fund revenues.

This type of cross-subsidization—from general transportation revenues—is extremely unusual. We are not aware of any other major air carrier airport that uses it.

In the past, many communities subsidized local airports in order to develop air service. But that has not been necessary at major air carrier airports for at least the last 20 years. The Department does not have records on the extent to which all airports have recovered their investment through user fees.

Senator EXON. Madam Secretary, just one brief question as a follow-up here. I believe that you testified with regard to a question of Senator Ford that the Grace Commission report was not realistic with regard to the value of the Dulles Airport. I have been led to believe that the same people who wrote the Grace report have some special relationship with the people who wrote the Ten Commandments.

Are you testifying today that there is at least one part of the Grace Commission report that might not have been realistic?

Secretary DOLE. I am saying that, indeed, they determined the figure based on looking at other airports, their average, landing and concession fees, how much the landing fees could be increased, and then simply capitalized the stream of earnings that that would produce. What was not factored in is our concern for the capital improvements that need to be made at these airports.

We have to focus on this from the standpoint of what needs to be done to refurbish, to build a midfield terminal and so on. That was not——

Senator EXON. Then it was not realistic, right?

Secretary DOLE. That is not something that was factored into the price. That was not part of the consideration.

Senator EXON. Then the Grace Commission was or was not realistic with regard to the value of the land at Dulles?

Secretary DOLE. From our standpoint and our desire to see these refurbishments and these changes made, that was something that was omitted.

Senator EXON. Do you take the same leeway with your interpretation of the Ten Commandments?

Thank you, Madam Chairman.

Senator KASSEBAUM. Senator Hollings.

Senator HOLLINGS. Thank you, Madam Chairman.

Governor Holton, you just said there the revenues were carefully analyzed.

Can you furnish the committee the commission study of the added cost to the taxpayers by going the bond issue route rather than the direct appropriation?

Governor HOLTON. Yes, sir, we would be happy to.

Senator HOLLINGS. Who made that study?

Governor HOLTON. It was a combination study made by Salomon Brothers of New York and Wheat, First Securities of Richmond.

Senator HOLLINGS. And those two groups found it would cost how much over the, I guess, 30 years of the bonds, or the 20-year bonds, whichever way they computed it?

You and I have both been Governors and we have issued and signed more bonds than most any around. Now, let's assume they were 20-year bonds, which is a typical authority bond.

Governor HOLTON. The computations were based on 30.

Senator HOLLINGS. How much additional would it cost the taxpayers?

Governor HOLTON. It would cost the users more if you borrowed money to provide improvements and pay the interest on the money. I acknowledge that.

Senator HOLLINGS. Cost the users more.

Governor HOLTON. The decision therefore is do you want the improvements now?

Senator HOLLINGS. What about the taxpayers? It does not cost the taxpayers more?

Governor HOLTON. If the bonds are tax exempt, it would cost the taxpayer.

Senator HOLLINGS. It would cost the taxpayers? Oh, you are admitting to that.

Now, how much more? That is all I ask.

Governor HOLTON. We can supply that figure. I do not have it in my mind. It would be a substantial amount of money. Interest costs are substantial. The policy decision has to be made, do you want to improve the National Airport which you have described as falling apart——

Senator HOLLINGS. That was Senator Trible.

Governor HOLTON. I thought it was in your Dear Colleague letter, Senator. I am sorry. I thought it was.

Senator HOLLINGS. You said that by 1995 we would be hardpressed. I just wondered how recently you had been out there using the airport. I find us hardpressed right now.

Governor HOLTON. I do not use it as much as you do.

Senator TRIBLE. Those are Senator Hollings' words.

Governor HOLTON. Yes; they are in his Dear Colleague letter.

Senator HOLLINGS. If it is falling apart—and that was in Senator Trible's testimony just a minute ago—I listened to his statement, and Senator Trible says it is falling apart. You do not find until

1995 that we would be hardpressed, and then be coming up trying to get improvements. That is 10 years off.

Governor HOLTON. No, sir, Senator. I must not have made myself clear, sir.

Senator HOLLINGS. No; you did not.

Governor HOLTON. I think those improvements, one of the immediate improvements that is needed at National is a parking facility, and I have said many times, I believe, I could negotiate a lease that would provide a parking facility at National in about 15 minutes. I could negotiate it in 15 minutes. I cannot provide the parking in 15 minutes, but I could negotiate that lease if I had private bonding authority, that is, authority to go to the market for the money, that lease could be negotiated and that facility could be, in my judgment, in place in less than 1 year after the transfer.

Senator HOLLINGS. Now, you said you could negotiate. That interested me also. You said you had tough negotiations on the membership of that commission and you wanted a majority but you finally yielded and took five, which is sort of a controlling interest, would you not say?

Governor HOLTON. You have to have seven votes for a budget or bond issue.

Senator HOLLINGS. But we in the stock business, five is pretty good control, would you not think? Would you go for less?

Governor HOLTON. It would be hard to sell.

Senator HOLLINGS. Hard to sell to whom?

Governor HOLTON. To yours and my constituents that use that airport.

Senator HOLLINGS. My constituents?

Governor HOLTON. Yes, sir.

Senator HOLLINGS. You do not have any representation on there for mine except one, the President. Excuse me, you did give us one, that is right. That was nice. That was the whole attitude and approach, this whole Cato's famous couplet that the politician makes the only laws and sit attentive to their own applause.

Madam Secretary, you appointed a Virginia commission, and you hoped to rope in the Maryland group. Evidently you did not, and now they have all taken a long look at this proposal. Madam Secretary, I think you also told me you bought off the Air Transport Association with the removal of the cap on passengers.

Is that how you got their vote?

Secretary DOLE. I did not. I did not say that to you, Senator Hollings.

Senator HOLLINGS. That was the impression I got.

Secretary DOLE. No; and I do not think we discussed that subject when we——

Senator HOLLINGS. Oh, you told me you removed the cap on passengers.

Secretary DOLE. Let me just say that my own view of that is that there is a consensus among all the interested parties that the slot freeze provides the same function as the passenger cap. Indeed, it does move us forward to reach the overall goal of the transfer of the airports, which I think produces many benefits. I am comfortable with that, though I have been a supporter of lowering the passenger cap. I do feel the slot freeze basically serves the same pur-

pose. The reason for the freeze was really severalfold. It was a matter of noise, and certainly the slot freeze ensures that there will not be more noise, there will be less as new aircraft come on stream, and also, seeing more traffic transferred to Dulles.

The kind of growth that is occurring at Dulles in the last year and the kind of growth all around Dulles to which it will respond I think indicates that growth is going to happen, and so I am very comfortable with what we are doing there.

Senator HOLLINGS. Well, now, the record will show that Senator Spong and I, we had hearings on this airport back 15 years ago, but since that time this committee has not even had a hearing on this particular measure, has it?

Secretary DOLE. I do not know. I really do not know.

Senator HOLLINGS. So we have not had hearings in 15 years. So, really, the public and the Congress have not been too well informed about the needs.

Secretary DOLE. I think it is pretty easy to see what the needs are.

Senator HOLLINGS. But whether or not the Congress is informed, I mean, there is a word out that there is an insidious purpose on the part of this Senator. It is just that I have not paid attention to it other than seeing it and being caught in the traffic jams and everything else. But be that as it may, we have not brought this problem to the Congress in 15 years, We have not even had a hearing on it.

Governor HOLTON. But we are doing it now.

Senator HOLLINGS. Well, I think what the record will show, and since we are looking at that record, President Nixon was really foolish in putting a price of $105 million 15 years ago, is that not right, or you are not familiar with that?

Secretary DOLE. I have seen that figure, but I do not know the background. I have no details for you on how they arrived at it or what the thinking was at that time.

Senator HOLLINGS. Since we are talking about the operation out there, I think you and I have a lot we can agree with. Mr. Wilding is an excellent operator, I take it.

Secretary DOLE. Yes, he is.

Senator HOLLINGS. And the employees are doing an outstanding job. And the fees are about right, the number of flights are about right. We are capping that, is that not right?

What do we find wrong other than the money problem?

Secretary DOLE. That is the key issue, Senator Hollings, how we can provide for the refurbishments and for the midfield terminal and for the parking garage and also additional parking spaces needed at Dulles. That is the key issue, to be able to put these airports on the same footing as all other major airports around the country so that they can go forward with these improvements.

Senator HOLLINGS. So the problem is money. If we can get these improvements, you provide for improvements, I provide for improvements.

Secretary DOLE. I also think from the standpoint of good government it makes sense to transfer these airports.

Senator HOLLINGS. Something is wrong with the Secretary of Transportation right now?

Secretary DOLE. I think that for you and for me and for all of us to spend time on the details of the projects, minor or major projects at National and Dulles, which are essentially local, when we are responsible for transportation across the entire United States, I think it does make sense to see it go to a regional authority like all of the other airports in the country.

Senator HOLLINGS. Then the conclusion logically is that the spending of time is not good government. The Secretary of Transportation, with all of the transportation authority and responsibility that you have, to be spending time on a decision——

Secretary DOLE. We are talking about managing and operating two airports, and I do think from the standpoint of government, good government, it makes sense for them to be run as other airports in the United States. To be spending time involved in the details, which are basically local decisions with regard to these airports, does not make sense. I would add that on top of this is the major reason for transfer, which is to change the funding base, to change the method of funding.

Senator HOLLINGS. So you as a Secretary and a National Cabinet officer have been making local decisions, and that takes away from your time.

Secretary DOLE. I am just saying that it is good government to do this. Why not make the transfer? Let me turn it around. Why not do it, to put them on a footing with every other airport in the country, to be able to go forward immediately with changes that need to be made, to take them out as a line item in the budget? Frankly, the attention of Congess has been primarily on the passenger cap. There has been a lot of attention on that. But I think that we can all see that improvements need to be made, and they have not been, and so why not move, make the transfer, go forward with a different funding base which will allow these improvements to be obtained immediately?

Senator HOLLINGS. Well, one big reason why not, of course, we all agree, and it is good government, Mr. Wilding is operating it right, all the employees are doing—we find good government, good government everywhere except for money and the time it takes away from you. It is mindful to this particular Senator that when we have Secretary Baldrige up here he is dismayed about the oceans and atmosphere. He goes over as a big business man to regulate trade and industry and business and he finds that he has got to fiddle faddle with the weather and the census and oceans, and you cannot lasso a whale. So every time, you know, he wants to get rid of the oceans, you want to get rid of these airports.

Secretary DOLE. Well, I think the fact that a commission made up of all the users and local officials and Members of Congress came up with an idea for a better management plan, that just makes a lot of sense to me. That is why we incorporated it in the legislation and sent it to the Congress. But you have all of the users of the airports agreeing on this, the commuters, the majors, the business aircraft, you know, a lot of——

Senator HOLLINGS. You are talking about all the users. All the users have been up here, and we continue to use it, and your general phrase—"all the users—"does not necessarily include, for example, the Maryland users who have already testified against it. I

can testify for the South Carolina users, and I guess other Senators for the other users because it is a national facility. It belongs to all the people.

Now, go to the costs. You said you gave $150 million to Dallas and how much was it——

Secretary DOLE. That is cumulatively.

Senator HOLLINGS. $150 million to Dallas and Fort Worth, but you resist giving $250 million to the national facility here that belongs to all the people over the next 5 years?

Secretary DOLE. That is a cumulative amount from 1971 to the present.

Senator HOLLINGS. Cumulative or otherwise, $150 million; that is the amount you gave.

Secretary DOLE. That is the high mark. In other words, others did not get that much.

Senator HOLLINGS. That is right.

Secretary DOLE. That is the most that was given to any particular facility.

Senator HOLLINGS. But that is just down in Texas.

Secretary DOLE. And that would be 27 percent, the $250 million, 27 percent of the funding that is designed for the entire country.

Senator HOLLINGS. Oh, well, 27 percent was designed for the entire country. You have almost $7 billion in the fund right now.

Secretary DOLE. Well, as I have stated earlier, half of that is already committed. The other half is certainly planned for. It is not a matter of money sitting there.

Senator HOLLINGS. Why do we not plan for this airport, Madam Secretary? That is my point.

Secretary DOLE. I am saying, Senator Hollings, that, in this era of cutting deficit and so on, it is not going to be possible at this time in my view to get $250 million for the two airports.

Senator HOLLINGS. Have you tried?

Secretary DOLE. Other airports around the country would rise up in arms over this if you had that much money going to two airports.

Senator HOLLINGS. We could quiet them down right quickly because I know this budget and I know my work on balancing the budget, and I have a plan right here, and I have some others, and we have been working on it. So I am not going to be smoothtalked about interest in the deficit when you can represent the administration, you keep coming back to the deficit, why is it you recommend revenues for a flat tax but not revenues for the deficit?

You are representing a minimum corporate tax. The President prepared at the end of last month, went on national TV, and said we ought to have a minimum corporate tax.

Why do you not allocate the revenues from that minimum corporate tax to getting rid of the deficit rather than this flat tax scheme if you are really interested in the deficit. You keep bringing this deficit picture up.

No answer?

Secretary DOLE. Senator Hollings, I am not here to talk about the tax reform bill today. I am here to focus on this particular——

Senator HOLLINGS. Well, you are talking about revenues. You keep raising it about the anxiety that you have over the deficit, representing the administration.

Secretary DOLE. We are not going to be able to support $250 million for these airports. That is a fact. That is it. The administration is not going to support $250 million for the two airports.

Senator HOLLINGS. You are not supporting it, but you have not asked for it, have you?

Secretary DOLE. The administration is not going to support $250 million. I mean, that is it. So that is the fact.

Senator HOLLINGS. And you have not asked for it, have you?

Secretary DOLE. No, I have not——

Senator HOLLINGS. Thank you.

Secretary DOLE. If I did, it would not make any difference.

Senator HOLLINGS. I just wanted to know whether you had ever asked.

Now, there is $6,956,695,000—gee whiz—right on and on and on. There is $7 billion bucks in that fund right now. You cannot spend it on anything else. We know we spent $150 million on Dallas-Fort Worth in one State. You are opening my eyes. I am learning from your testimony.

Secretary DOLE. Since 1971, cumulative, at Dallas-Fort. Worth airport.

Senator HOLLINGS. If I could have risen up in arms, I would have risen up in arms against that when I am letting this airport right here that belongs to all the people of America go down and go to pot.

I do not know that that is good government, letting this airport go to pot and building up Dallas-Fort Worth.

Secretary DOLE. National and Dulles are not eligible for AIP funding. We are talking about funds that were given to Dallas-Fort Worth through the AIP Program over a 24-year period.

Senator HOLLINGS. Well, now, talking about these funds——

Secretary DOLE. No, I am sorry, 14 years.

Senator HOLLINGS. You have got the Department of Transportation study?

Secretary DOLE. I am sorry?

Senator HOLLINGS. The Department of Transportation study, Madam Secretary, that shows the added costs, the Department of Transportation study showing the added cost to the taxpayers by going the bond issue route rather than taking from the airport fund?

Secretary DOLE. You mean how much more it would cost the Treasury to go through revenue bonds if they were tax-exempt bonds?

Senator HOLLINGS. Right.

Secretary DOLE. It is my understanding—and I would want to check this—that it would be about $47 million. That is discounted to net present value.

Senator HOLLINGS. Do you have a copy of the Department of Transportation study to that effect?

Secretary DOLE. No; I will get you what we have on that, but my——

Senator HOLLINGS. Are you telling this committee that the principal issue is money and you never have made a comparable study; so we know if we go one route, the authority route—and bond issue—how much it costs, and if we go the other route——

Secretary DOLE. The financial analysis that was done through the Holton Commission, and that will be provided to you. My understanding is it is about $47 million, but I would like to get you the definitive material on that.

[The following information was subsequently received for the record:]

THE SECRETARY OF TRANSPORTATION,
Washington, DC, August 5, 1985.

Hon. ERNEST F. HOLLINGS,
U.S. Senate,
Washington, DC.

DEAR FRITZ: At the June 26 hearing on the proposed Metropolitan Washington Airports Transfer Act, you asked for a report on the additional cost to the Treasury of different approaches to funding improvements at the airports.

Given that all other major air carrier airports in the United States have financed major improvements with tax-exempt revenue bonds, I do not believe that the resulting costs to the Treasury should control the decision to transfer Dulles and National to an independent authority. But estimates of these costs do illustrate the benefits of the transfer proposal.

The June 25 Congressional Budget Office [CBO] figure of $108 million present value loss to the Treasury, which you mentioned at the hearing, was based on reasonable assumptions that are not totally representative of typical revenue bond financing.

Salomon Brothers of New York has analyzed the CBO estimate and has provided a more accurate model of a major bond issue, based on its previous analyses of $240 million in improvements.

Regardless of which approach one uses, revenue bond financing of improvements at Dulles and National is substantially less expensive to the government than direct appropriations. The estimates compare as follows:

S. 1110 DIRECT APPROPRIATIONS PROPOSAL

S. 1110: $250 million project, funded from the Airport and Airway Trust Fund.

Present cost to the government (CBO assumptions on outlays): $221 million; $240 million project, more conventional outlays (for comparison with Salomon estimates): $202 million.

There are additional costs to the government not included in these figures. From the unified budget point of view, an outlay from any trust fund increases the deficit, which increase must be financed by the sale of debt instruments.

I believe the above figures speak for themselves. No matter whose calculations we use, transfer allows the same improvements to be made at far less cost to the government than direct appropriations.

I hope this information is helpful.

Sincerely,

ELIZABETH HANFORD DOLE.

Attachment.

S. 1017 REVENUE BOND FUNDING

CBO: $250 million project, $370 million, 20-year bond issue.

Present value of lost revenue: $108 million.

The CBO model does not recognize that a portion of a bond issue is paid off during the life of the entire issue, much as the principal is reduced on a home mortgage, and does not reflect that tax-exempt municipal bonds pay interest semi-annually, not in one lump sum at the beginning of the year. Thus the CBO model overstates the interest costs and the revenue loss to the Treasury. With appropriate adjustments, the CBO estimate would be as follows:

CBO Modified: $250 million project, $370 million bond issue, amortized over 20 years, conventional (semiannual) payment schedule.

Present value of lost revenue: $90 million.

In fact, most airport projects are supported by 30-year bond issues. The initial issuance must be substantially larger than project cost, because interest in the early years must be paid out of bond proceeds.

Salomon Brothers: $240 million project, $396 million, 30-year bond issue.

Present value of lost revenue: $96 million; Less unfunded pension liability payment: −$37 million; and Present value total cost to the government: $59 million.

A $396 million bond issue covers both a $240 million project and the estimated $37 million (present value) the authority would pay the Treasury under S. 1017 to cover the unfunded pension liability of the airport employees. To make the CBO example comparable, the size of its bond issue would have adjusted to reflect this payment, and the $90 million present value would be increased before deducting the $37 million.

The President's Tax Proposal: Any size project, any size bond issue, if the President's tax initiative is enacted. Present value of lost revenue: $0.

Under the President's proposal, airport authorities could not issue tax-exempt revenue bonds for nearly all construction projects. This would raise the cost of improvements to the airport users, but the authority would still be able to fund improvements with taxable revenue bonds. Moreover, the purpose of S. 1017 is to put the airports authority on an equal footing with all others. Enactment of the tax proposal would therefore not be a cause to forego the transfer.

Senator HOLLINGS. Could it be I have a Congressional Budget Office study to that effect which I will be glad to furnish for the Commission and the Department of Transportation which shows not only will it be $250 million, but of course, you are talking about the uses—I will use the approach that Governor Holton has used, it will cost the users $370 million to fund 250 million dollars' worth of construction improvements. So the $370 million would have to be paid by the users and then loss to the Treasury also at the same time over that 20-year period would be $250.3 million in Federal tax expenditures rather than $40 million.

Would that surprise you?

Look, the one point that is involved here and we all agree is money. Yet you folks get lockjaw on money. You seem to know nothing about it. You may have a study, you have not at the Department of Transportation made any study, and I am—you keep coming back to the deficit—I am trying to save on the one hand the $250 million in tax expenditures.

Secretary DOLE. As I understand it, the question you posed to me was how much would it cost the U.S. Treasury——

Senator HOLLINGS. Exactly.

Secretary DOLE [continuing]. If we had tax-exempt bonds.

Senator HOLLINGS. Right, more.

Secretary DOLE. And my answer was, I understand $47 million.

Senator HOLLINGS. Well, then, I would ask——

Secretary DOLE. And $47 million is the difference to the Treasury as opposed to $250 million appropriated under the Hollings bill. Now, that is—as I say, I will be glad to provide you more details on that, but my understanding is it is $47 million.

The Holton Commission had financial advice, there is a report there that can be provided, and we will be glad to do that. That has all the details.

Senator HOLLINGS. But of course I started with your figures and your plan, so there would be no difference there with respect to the midfield facilities at Dulles and respect to the parking facilities and other improvements to be made at National. Using that $250 million, the Congressional Budget Office finds that it costs you

$370 million, that is what the users pay in order to get the $250 million in bonds.

Does that surprise you both?

Governor HOLTON. Yes, sir.

Secretary DOLE. Would you lay that out for us?

Senator HOLLINGS. We will furnish you a copy. We have a letter. It is the impartial, nonpartisan Congressional Budget Office, and if there is any criticism, I guess we can get that later on. But for one, it will take $370 million in bonds to fund the 250 million dollars' worth of construction, and that is considered over a deliberate way. In other words, there would be two issues over a 5-year period. You would not just issue it all at one time. They have done it in a financial way, according to Moody's Investors Service report. In addition, it would not just be the users paying the $370 million, but there is also the loss in tax expenditures to the Treasury—because you are interested in the deficit and I am interested in the deficit, is another—it should not be confused with your $250 million—another $250.3 million.

Secretary DOLE. Well, we do not have the benefit of having looked at that, and we will look at it certainly and respond, but both Governor Holton and I question those figures just hearing them for the first time this morning.

Senator HOLLINGS. Right. Well, it is remarkable to come present your case and it is all on money, we are not differing about our friend Mr. Wilding or the FAA or the employees or the facilities and everything else. There might be a difference in Maryland and Virginia. There is definitely a difference about all the people in this facility belonging to it. There is a difference in the price you put on to it. But the one real key to this is how to do it the quickest and most economical for the taxpayers and the users both.

Secretary DOLE. Right.

Senator HOLLINGS. And I have a bill in to do that, and you say you have not studied those figures.

Secretary DOLE. Well, no, I did not say that at all. I am saying that the report that you have access to I do not have access to, and I would like to see that because I question the figures I am hearing this morning.

Senator HOLLINGS. But you do not have a report that you have made of your own.

Secretary Dole. But I certainly am saying that I think we can move faster on the funding with revenue bonds than with the continuation of the current process which is a line item in the budget.

Senator HOLLINGS. But you never have asked for it in a line item of the budget. You have already testified to that.

Secretary DOLE. I have already said why I have not asked for $250 million for two airports.

Senator HOLLINGS. That is right. Well, do you object to me asking? I understand your President and my President does not want to ask for it. That is clear to me. I understand that. He does not ask for revenues to get rid of the deficit—he is traveling all over the country talking about a flat tax instead of the deficit right now.

Secretary DOLE. I think there may be some members of Congress, Senator Hollings, who are not prepared to support $250 million for the two airports.

Senator HOLLINGS. Well, I understand the Virginia delegation, they are acting as good Senators. I would try to get these multi-million dollar facilities for $47 million. I would be all for that. And in fact, if you would guarantee that Governor Robb would stay in for as long as I am in the Congress and got to travel back and forth, I might be more friendly about this thing. But I am afraid my Governor friend is leaving in December and I just do not know what course this thing will take. I know that we have the responsibility and we have got the money, and we are just not exercising it.

Thank you, Madam Chairman.

Senator FORD. Madam Chairman, I hate to prolong this, but I have a question that bothers me just a little bit, and it is the NAS plan which is National Aviation Service plan. You keep referring to that, and it is already committed. It was passed in 1981, and they have not hit a target date yet, and I worry about saying that is committed, and you admitted a few moments ago that the fund, the Airport Improvement Fund was growing every year because of the increase in taxes and the increase in passengers.

I wonder, how much of that $3 billion is really going to be used. You say it is committed.

Secretary DOLE. Yes, $3 billion is committed, and I will be glad to—the plans are there in terms of what is needed to keep the NAS plan moving forward and the contracts that have to be signed, and I will be very happy to give you a full rundown of the contracts that have been signed, the commitments that have been made, and those that we anticipate.

Senator FORD. Will you also include in that how many of the so-called superflight service stations that have been built on time and that sort of thing?

Secretary DOLE. The automated flight service stations? I will be happy to give you that.

Senator FORD. How many target dates they have hit that they have proposed, and how many they have missed, and how much money is proposed for that area.

Secretary DOLE. Fine.

[The following information was subsequently received for the record:]

STATUS OF NATIONAL AIRSPACE SYSTEM PLAN COMMITTEMENTS

CHART 1.—STATUS OF COMMITTED NAS PLAN PROGRAMS

Ninety programs—total plan = $11.7 billion.

Twenty-eight programs—no major equipment acquisitions = $2.5 billion.

Sixty-two programs—major equipment acquisitions = $9.2 billion.

Thirty-one programs—contracts awarded by 1984 and prior—committed funds = $6.0 billion.

Thirteen programs—award contract this fiscal year (fiscal year 1985)—will commit $1.3 billion.

Eight programs—award contracts in fiscal year 1986—will commit $0.7 billion.

Ten programs—award after fiscal year 1986—will commit $1.2 billion.

CHART 2.—NAS PLAN OVERVIEW CONTRACT STATUS

Fifty percent or 31 of 62 major projects were under contract by the end of fiscal year 1984.

Seventy-one percent or 44 of 62 major projects will be under contract by the end of fiscal year 1985.

Eighty-four percent or 52 of 62 major projects were under contract by the end of fiscal year 1986.

CONSTRUCTION OF AUTOMATED FLIGHT SERVICE STATIONS SCHEDULE STATUS

Sixty one automated flight service stations [AFSS] are planned. Locations for 57 have been selected and announced. To date, 17 facilities are complete and 12 more are under construction. Construction is undertaken as necessary to meet scheduled "beneficial occupancy dates" [BOD's]. In summary, the AFSS facilities are being built on time to accommodate the established BOD's.

Senator KASSEBAUM. I would just say, Senator Ford, in answer to that, we have had one oversight hearing on the NAS plan and there would be one scheduled for fall after the August recess.

Senator FORD. They are closing flight service stations, 70 some odd of them on the basis of the superflight service.

Senator KASSEBAUM. I would just like to thank you very much, Madam Secretary, Governor Holton, Mr. Wilding, for being with us this morning. I very much appreciate your patience and helpful testimony.

Secretary DOLE. Thank you very much.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR HOLLINGS AND THE ANSWERS

Question. Madam Secretary, what assurances can you give the Committee that the airport authority would not attempt to discriminate against certain categories of users and aircraft at these airports? I'm specifically interested in how general aviation will be treated. Many of my constituents, and those of my colleagues, come to Washington via general aviation.

Answer. By the terms of the transfer legislation and the AIP grant conditions that would apply to it, the authority would be obliged to make its facilities available "to the public, including commercial and general aviation, on fair and reasonable terms and without unjust discrimination. . . "

General aviation would enjoy the same advantages it does now, as the transfer would maintain the status quo. At National, the freeze on air carrier slots would mean that general aviation would not be displaced to other airports in favor of air carrier flights. For general aviation, the freeze amounts to a protection not available at any other airports. Dulles has so much airside capacity that it can handle all the general aviation traffic that wants to use it.

Thus I am quite sure that general aviation will be as well off after transfer as it is today, if not better, as facilities for all users (including general aviation) are improved.

Question. Secretary Dole, you are trying to sell this transfer proposal on the ability of the local airport authority to use tax-exempt bonds as its primary source of revenue for capital development. Yet, in the President's tax reform proposal, many airport projects would be ineligible for such revenue bond financing. Does the Administration support or oppose the use of local revenue bonds for airport capital projects?

Answer. We are not relying on the tax-exempt status of airport revenue bond financing as a basis for transferring the airports. Our intent in the proposed transfer legislation is to put the Metropolitan Washington Airports Authority on the same financial footing as every other U.S. airport authority. Even under today's tax code, not all airport projects may be funded with tax-exempt revenue bonds.

Revenue bond financing—tax-exempt or not—will enable an independent authority to finance improvements with private capital more rapidly and less expensively to the government than direct federal financing. I have been provided with financial analyses that show enactment of the President's tax reform proposal would raise

the cost of capital for an independent authority, but would not undercut the fundamental benefits of transfer.

The President's proposal speaks for itself. It would curtail the use of revenue bonds for airport financing everywhere. We believe that the proposed Metropolitan Washington Airports Authority should have the same financing options as any other airports, without special benefits or limitations.

Question. If the Congress were to decide to reject the transfer proposal and pass S. 1110, leaving the airports under federal control, could the FAA structure its fee recovery system so that the federal government could get back the entire $250 million? If not, why?

Answer. The FAA could adjust its fee structure to recover the $250 million over time, but to do so would not be entirely fair. S. 1110 uses the Airport and Airway Trust Fund, which is made up of aviation tax revenues, as a source of the funds. Because of this source, the Airport and Airway Improvement Act prohibits airports from including federal-aid grants from the Trust Fund in their rate bases. The Congressional intent is to prevent users from having to pay twice for the same improvements. Although S. 1110 does not provide a grant under that Act, and is therefore not, by its terms, subject to the prohibition, I would expect the airlines to object to paying back grants derived from these dedicated revenues.

Question. How would you envision the transfer affecting other airports in the region? Specifically, I am interested in your assessment with respect to not only Baltimore-Washington Airport, but the reliever airports in Northern Virginia that play such an important role in this area.

Answer. I do not foresee a significant impact on any other airports in the region, including reliever airports in Northern Virginia. The transfer would enable rapid funding of improvements necessary to meet present demand at National and Dulles. BWI already has been improved, and is not subject to the physical constraints Dulles is. We expect traffic at both BWI and reliever airports will continue to grow with the overall improvement in the economy and continuing growth in air traffic.

QUESTIONS OF SENATOR ROCKEFELLER AND THE ANSWERS

Question. I've been advised that the Administration's bill does not affect the number of slots now provided to commuter airlines by the FAA—that the freeze of 37 slots/hour affects major airlines only. Is that correct?

Answer. Yes; commuter air carriers and general aviation aircraft do not cause the noise and congestion problems air carriers do, and a freeze of their slots is not necessary. The Regional Airline Association supports this position.

Question. If the FAA decides to reduce the number of commuter slots in the future, is there reason to expect that local private authority would be responsive to the concerns of commuter airlines? Or, that it would care as much about the problem as those of us in the Congress who represent areas of the country served mainly by commuter services?

Answer. First, I do not foresee that the FAA would reduce the number of commuter slots. In any event, I have no doubt that the authority would show appropriate concern for the regional air carriers. At National, they will not face pressures from an increase in air carrier services, as the air carrier slots are frozen. Facility improvements would be possible there, if the regionals are willing to share in the financing of them. At Dulles, they will provide important feeder service, and can therefore expect favorable treatment in any plans for new terminals.

Question. Last year, the FAA proposed a rule to allow the buying and selling of slots at National airport. How would this have worked? Could major airlines have bought slots from commuter airlines? Would major airlines try to buy more slots for their profitable long-haul routes, reducing the number for short distance service?

Answer. That rulemaking is still open, and we have not reached final conclusions on the many issues involved, including the ones you raise. Our proposal, however, would not have permitted the exchange of commuter and air carrier slots. After transfer, the slot freeze would preclude such exchanges, even if permitted at other airports.

Possible impacts, if any, of slot sales on service patterns is among the issues we are examining in our rulemaking.

Question. I realize the Department's bill does not contain such a provision on buying and selling slots at National, but would the Administration oppose the idea if someone in the Congress were to raise it?

Answer. The Administration would prefer to complete its rulemaking and, if we find it necessary, present a proposal. The transfer will have no effect on who may

use slots under the High Density Rule, and control over those slots would remain with the FAA. Adding a slot sale provision to the transfer bill would complicate its enactment with a subject that is not related to transfer.

Senator KASSEBAUM. It is a pleasure to welcome the next panel, representing the interests of Virginia, the Honorable Charles Robb, Governor, State of Virginia; the Honorable Paul Trible, the Honorable Stan Parris, the Honorable Frank Wolf.

Senator TRIBLE. Madam Chairman, our two colleagues have departed to vote, but they will come back.

Senator KASSEBAUM. If we could wait just a moment to start the testimony until the room clears.

If everyone could leave as quietly as possible, please, we will go ahead and start the testimony of the next panel. The House Members will be returning after they vote.

Let me say before we start with Senator Trible's testimony, who will then be presiding, I very much appreciate, Governor Robb, your testifying and your patience through the morning's proceedings so far.

Senator Trible.

STATEMENTS OF HON. PAUL S. TRIBLE, JR., U.S. SENATOR FROM VIRGINIA; HON. CHARLES S. ROBB, GOVERNOR, STATE OF VIRGINIA; HON. STAN PARRIS, U.S. REPRESENTATIVE FROM THE EIGHTH CONGRESSIONAL DISTRICT OF VIRGINIA; AND HON. FRANK R. WOLF, U.S. REPRESENTATIVE FROM THE 10TH CONGRESSIONAL DISTRICT OF VIRGINIA

Senator TRIBLE. Madam Chairman, thank you.

I realize it is unusual for a member of this subcommittee to testify before it, but I wanted to join Governor Robb and my two colleagues from the House in underscoring the cooperative, unified and bipartisan nature of this initiative.

The proponents of the legislation, Madam Chairman, must show a number of things. First, that the proposal to transfer the airports to local authority is managerially sound and financially responsible, and I believe that point has been established this morning.

Second, the Federal interests must be adequately protected. That is a paramount concern of Senator Hollings, and it is a very important consideration. I share the concerns expressed by Senator Hollings in his Dear Colleague letter of May 9, 1985, and let me quote from that Dear Colleague letter.

> Very simply, National Airport is falling apart. The road system and parking are inadequate. Access to the Metrorail system is difficult, and the terminals are cramped. At Dulles, a proposed midfield terminal is needed to accommodate increased airline service. Because of the importance of these airports in ensuring access to the Nation's Capital and to the Federal Government, we must move to repair and develop these assets.

I fully agree, and that is all the more reason to support this legislation.

Funds from the Federal Government are not available. In spite of my colleague's best intentions, they are simply not available. A local authority, however, can raise the necessary quarter of a billion dollars, and we can get on with the job of enhancing the airports that serve our Nation's Capital.

This bill protects the national interest in other ways. The legislation locks in the current 37 hourly air carrier arrival and departure slots, thus ensuring by statute that there will be no reduction in service. Five hundred fifty-five carrier and 200 commuter flights will continue to arrive and depart each day, serving 69 American cities with nonstop service and many dozen more through direct connections.

Now, the Holton Commission and I would have preferred a limit on passengers at National Airport, but the bill includes no such cap. By allowing more passengers than the current airport policy, this bill actually goes beyond the status quo and gives the Federal interest priority over an imprtant local interest.

Finally, I note that the Federal interest is served by the constitution of the proposed airport's authority. There will be five Virginia representatives, three from the District of Columbia, two from Maryland, and one appointed by the President. Therefore, any proposal which serves Virginia's interests alone would be blocked by a majority of the authority. It is also likely that any proposal which penalized Virginia would be blocked. An extraordinary majority of 7 of the 11 members would be necessary to approve any bond issue and the annual budget, thus further protecting the Federal interest from encroachment by one or more of the local jurisdictions.

This numerical balance of the authority, coupled with statutory protections dealing with slots and passenger limits, embody the essence of federalism. In the words of another great Senator from South Carolina, John C. Calhoun, in his "Disquisition on Government," each component part has a negative, a check on the others, and "it is this mutual negative among its various conflicting interests which invests each with the power of protecting itself."

Here is a perfect example of Calhoun's principle, the statutory freeze on slots, elimination of the passenger cap, and the supermajority requirement for bond and budget proposals acts as a negative on any tendency by Virginia to overly emphasize the local interests, or in the words of our friend from South Carolina, the airports will not be left to the winds of the State government. And, I would add, provisions for 5 Virginians among the 11 authority members acts as a negative upon any tendency of the authority to act to the exclusion of Virginia's legitimate interests.

Finally, Madam Chairman, the interests of Maryland are not subverted by this legislation. Rather, this bill will promote a more level playing field as the States compete for commercial opportunities. National and Dulles have been held back, not advanced, by Federal ownership. I want to repeat that. Washington Dulles and Washington National have been held back, not advanced, by Federal ownership, and the reasons are obvious. Madison, Hamilton and our founding fathers intended Congress to be a deliberative body, and it is. The Congress through the 1978 Deregulation Act, intended the airlines to be aggressively competitive, and they are. And therein lies the problem. Congress cannot manage a modern jetport because Congress cannot quickly respond to the demands of today's aviation marketplace.

Let me give you a real world example. In 1983 Piedmont announced it would create a new hub. Dulles and BWI were the only two candidates in the region. The government of Maryland mount-

ed an effort to get those extra flights. Within a matter of weeks $20 million was committed to expand and improve BWI. I dare say that a similar request for Federal funding for Dulles would still be trapped on Capitol Hill today.

The advantages of State funding and promotion and access to Federal airport improvement grants which National and Dulles do not receive have given BWI a tremendous advantage over Dulles. Today, BWI is twice as big as Dulles. As you can see from this blow up of the BWI advertisement beside me, during the past 5 years National has grown by 3 percent; Dulles by 40 percent; and BWI by a stunning 77 percent.

It is clear that BWI, which serves almost 7 million passengers a year, needs no protection from Dulles. The BWI ad, I would point out, ends with this sentence: "BWI, the airport that is growing for all the right reasons."

The State of Maryland is to be commended for this remarkable growth, but it would be a wrong reason indeed if BWI's growth in the future is because Dulles remained shackled to the Federal Government.

Thank you, Madam Chairman.

Senator KASSEBAUM. Thank you very much, Senator Trible, and I would appreciate it if you could come chair the rest of this hearing because I will have to leave.

It is a pleasure to welcome you Governor Robb.

Governor ROBB. Thank you very much, Madam Chairman.

Senator TRIBLE. The distinguished Governor of the Commonwealth of Virginia is recognized.

Governor Robb.

Governor ROBB. Mr. Chairman and Madam Chairman as you depart, and other remaining survivors of the session so far this morning, first of all, I will not give all of the very limited testimony that I was prepared to give at this point anyhow. I do want to reiterate the very strong support that Virginia has for S. 1017 which would affect the airport transfers. I want to reiterate my own personal appreciation for the leadership that Secretary Dole has given to this particular venture, and I want to particularly express appreciation to my distinguished, long-suffering predecessor who has worked with this prospect for the last year and has achieved a compromise that although not meeting the needs of all in this room or not being absolutely perfect in every respect, exceeds the expectations of many, and I think proposes a realistic solution for a very difficult problem that all of us pretty well acknowledge at this particular time.

Virginia has had a long interest—a couple of points that really have not been made yet—in both of the airports. With respect to National Airport, the Commonwealth has consistently supported the authority and management of the airport as exercised by the FAA. As a matter of fact, that support even extended to entering on behalf of the FAA a lawsuit which challenged its power to reasonable operating limits at National. The Commonwealth's interest in Dulles is perhaps even better known at this point. Since July 1980 we have had a physical presence there with the branch office of the Virginia Department of Aviation, and more recently, through the Washington Dulles task force.

The task force, since it has not yet been mentioned, is a nonprofit, Virginia chartered membership organization supported by the private sector, local communities, and State government. Its purpose is to seek frequent, high quality and well balanced air transportation for the Washington area and the mid-Atlantic region, and I would observe the obvious, that no one is more interested than the people of northern Virginia in assuring such service at their airports.

In the fiscal year 1985-86, which starts in just a few days, the task force is going to be receiving $375,000 in State funds that were appropriated by the general assembly in support of its activities. I would add that the general assembly also this year, at my request, agreed to advance up to $4 million to expedite completion of the design work for the critically needed midfield terminal to which reference has already been made. We are in the process right now of developing terms for a formal agreement with FAA to transfer their funds.

So I would suggest that there is no question about the longstanding serious interest in both of the airports that the Commonwealth of Virginia has had, nor is there any doubt about our recognition of the inestimable value to the Nation's Capital of these two particular facilities.

We support the legislation for two fundamental reasons. First, we do not believe that in this age of austerity and reduction in the role of Government that the operation of commercial airports is an appropriate or desirable function of the Federal Government, notwithstanding the excellent way in which the FAA and the Secretary of Transportation and others have fulfill their responsibilities. It seems to me that it is simply sound public policy to do as Secretary Dole and Governor Holton and others have indicated, to operate these as they are operated elsewhere in the country by either a regional or local authority.

The second fundamental reason that we support this particular legislation has to do with the immediate need—and that really is why I think we are all here this morning. Senator Hollings, I can certainly agree wholeheartedly with your letter which Senator Trible just mentioned in terms of the conditions which we all recognize exist, and frankly, we are all trying to find some way to overcome the situation as it currently exists.

We have found, and I think enough reference has already been made to it, that it is more than a little difficult to bring about rapid approval of the authorization for Federal expenditures whether they come from any one of the funds.

I will not go into some of the other approaches because I think they have been reasonably covered. I would point out, because passing reference has already been made by Senator Ford to a potential disagreement between my very good personal friend, for whom I have extraordinarily high regard, Governor Harry Hughes of Maryland—I thought that the two of us, as a matter of fact, were going to appear together in one of the possible alignments for panel presentation this morning.

I realize, however, that on this particular issue that he may not share my enthusiasm for the proposed regional authority, and I certainly understand his commitment to support in every way pos-

sible Baltimore-Washington International. It is an excellent airport and I have used it on several occasions myself, so I can speak from firsthand experience.

I would make one other observation that may not have been made or focused upon to quite the same extent, and that is that I think that there is now and for the foreseeable future essentially as far as the eye can see enough air transportation business to constructively engage the services of all three airports.

We have one airport which has moved aggressively to move into the late 20th and early 21st century to meet those needs and two others that, for one reason or another—in the case of National principally the lack of parking, and in the case of Dulles the lack of a midfield terminal—they are simply not yet prepared to do that.

And I would observe—and I make this remark specifically to my friend Senator Hollings—that as I mentioned on the phone, if I thought that there was a way to bring about the kind of support that you are advocating for these airports right now and to accomplish those objectives that quickly, I would have no difficulty whatever in supporting that particular approach.

We are simply goal-oriented at this particular time. And again, I think that, given the reality of the circumstances that exist, given the constraints placed on the Federal budget at this particular time, and given the extraordinary work that Governor Holton and his commission, working very closely with Secretary Dole, have done at this point, they have evaluated all of the possibilities and alternatives. They have come to the conclusion, after a great deal of deliberation, that this is the most realistic way to bring about the result that I think all of us seek to achieve at this particular time.

So Mr. Chairman, other members of the committee, at this point I will yield for any questions that I might be able to address, or we have two distinguished Congressmen from northern Virginia, Congressman Parris and Congressman Wolf, who have more than a passing interest in these particular facilities. You might want to hear from them at this point.

[The statement follows:]

STATEMENT OF HON. CHARLES S. ROBB, GOVERNOR, STATE OF VIRGINIA

Mr. Chairman and distinguished members of the committee, I thank you for this opportunity to express the strong support of the Commonwealth of Virginia for Senate Bill 1017, which transfers the Metropolitan Washington Airports to an independent, regional airport authority.

At the outset, I want to reiterate my appreciation to Secretary Dole for her initiative in establishing the advisory commission which has considered this important issue.

I also want to express again to former Virginia Governor Linwood Holton, who chaired the commission, and to his fellow members, my congratulations for the diligence, creativity, and patience which have characterized their study.

Because Dulles and National Airports are located in Virginia and serve a major segment of our population, we have for many years had a great interest in the effectiveness and success of their operations.

In respect to National Airport, the Commonwealth of Virginia has consistently supported the authority and management of the airport as exercised by the Federal Aviation Administration. This support has extended even to the point of entering, on behalf of the FAA, a lawsuit which challenged its power to set reasonable operating limits at National.

The Commonwealth's interest has also been evident in respect to Dulles Airport.

Since July, 1980, we have had a physical presence there, first with a branch office of the Virginia Department of Aviation and, more recently, through the Washington Dulles Task Force.

The task force is a non-profit, Virginia-chartered membership organization supported by the private sector, local communities, and state government. Its purpose is to seek frequent, high quality, and well-balanced air transportation for the Washington area and the mid-Atlantic region and I would observe that no one is more interested than the people of Northern Virginia in ensuring such service at their airports. In the 1985–86 fiscal year, the task force will receive $375,000 in state funds appropriated by the General Assembly in support of its activities.

The General Assembly this year also agreed to advance up to $4 million to expedite completion of the design work for the critically needed Midfield Terminal at Dulles. We are at present developing with the FAA the terms of a formal agreement to transfer those funds.

So let there be no question about Virginia's longstanding and serious interest in these two airports or about our recognition of their inestimable value to the nation's capital.

Now, why do we support the legislation under consideration by the Committee? There are two fundamental reasons.

First, we do not believe, in this age of austerity and reduction in the role of government, that operation of commercial airports is an appropriate or desirable function of the federal government.

As Secretary Dole observed in announcing formation of the advisory commission in June, 1984, every major airport i this country is owned and operated by state or local public authorities—except for these two in the Washington area. It is sound public policy for the Washington airports to be operated like other major airports throughout the nation.

The second fundamental reason we support this legislation has to do with the immediate need for capital facility development which in our judgment can only be met by the proposed regional authority.

In the past, capital improvements at the two airports have been funded through federal appropriations. As you know, however, it is often difficult to obtain rapid approval of federal appropriations, especially in this era of tight budgets. There needs to be a means to permit the revenue generated by the Metropolitan Washington Airports to be applied to supporting capital investments through the bonding process.

This type of funding mechanism, which would be provided in the proposed legislation, would enable airport management to respond more readily to the region's air travel needs and to changes in the airline industry.

Such an approach to funding capital improvements—through user revenues instead of federal appropriations—would also represent a more equitable and common sense approach to these needs.

I recognize that my good friend Governor Hughes, and some of our other neighbors in the great state of Maryland, do not share entirely my enthusiasm for the proposed regional authority.

They understandably are concerned about the future of the Baltimore-Washington International Airport, in which they rightfully take much pride.

I hope the Committee will take into account the fact that, regardless of ownership, there is now, and there will continue to be, as far as the eye can see, enough air travel demand to keep all three airports busy, if the are equipped to handle that business.

In closing, I would say again that the advisory commission chaired by former Governor Holton has done its difficult job well. It has responded with reason and equity to its assignment to consider the interests of users, local communities, transportation needs of the nation's capital, and the coordination requirements of the several regional airports.

There is clear be-partisan support for the commission's proposals; it is not a partisan issue.

By an overwhelming vote, the Virginia General Assembly this year enacted state legislation to create the proposed regional airports authority. In so doing, it demonstrated broad, statewide support for the concept proposed in S.1017.

The Virginia legislation, like S.1017, provides for membership on the authority and assigns powers and responsibilities to the authority, including that of issuing revenue bonds for capital improvements.

The Virginia act will become effective only upon the enactment into law by the Congress of legislation authorizing the sale, lease, or other disposition of the airports to such a regional authority.

I bring it to your attention because it reflects the commitment of the Commonwealth of Virginia to high quality air transportation service at Dulles and National Airports.

Virginia has done all within its power, to this point, to translate an appealing idea into an exciting reality. I hope it will be the will of the Committee to give its approval to S.1017. Thank you very much.

Senator TRIBLE. Congressman Parris.

Mr. PARRIS. Thank you very much, Mr. Chairman.

I apologize for the unceremonious return to this committee hearing. We had a vote on the House floor and I apologize for that.

I would like to ask unanimous consent to insert my full statement into the record, and I will attempt to summarize very quickly. I hope that my attempt to be brief here will not be interpreted as any lack of enthusiasm for our purpose this morning.

Senator TRIBLE. Your complete testimony and that of Governor Robb and the other witnesses will be made a part of the record.

Mr. PARRIS. Thank you, Senator.

Let me just say that a very large number of individuals, organizations, civic groups, certainly under the leadership of Governor Holton, have a workable solution to a longstanding problem with respect to Dulles and National. We believe it is a good bill and we are here, I am here, to enthusiastically support it.

Let me just address in my very quick remarks one aspect on the situation. It has been alluded to before that, aside from the fact that the citizens in the Washington metropolitan area are alone among other metropolitan areas in this Nation in that they do not have a true voice in the operation of these airports, the greatest roadblock in my opinion to the efficient operation of these facilities is one of the funds for necessary repairs and additions.

Now, it is just not logical, Mr. Chairman, I submit, to expect to take $250 million, a quarter of a billion dollars, from the Federal Aviation Trust Fund for the purpose of effecting these repairs. Could we really expect such a fund to be made available at the expense of all other airports in the Nation?

That would be the largest sum in history, as Senator Hollings has pointed out. We already have a turf fight with Maryland. We are going to take on the whole Nation by trying to raid the corporate treasury for a quarter of a billion dollars? I do not think that is logical.

And it is particularly illogical in light of the fact that the citizens of this area are prepared to shoulder the financial burden through the issuance of bonds. Let us just get the Federal Government out of the airport business and put the airports where they belong, under the control of a local commission.

The Government in my opinion, the Federal Government, cannot and should not be engaged in the operation of these facilities. Safety and convenience demands some improvement. This is the only way we are going to get it, and I would hope that the Senate and the House will look at this legislation very favorably and act on it in an early timeframe. Thank you.

[The statement follows:]

STATEMENT OF HON. STANFORD E. PARRIS, U.S. REPRESENTATIVE FROM VIRGINIA

I would first like to thank this committee for providing me the opportunity to testify on this very important piece of legislation.

You have before you legislation to transfer Washington National and Washington Dulles International airports from federal to local control. A great deal of time and cooperative effort on the part of many individuals, organizations and civic groups has gone into this bill.

It is the general opinion of those of us who have been active in this effort that we have a good bill in S.1017. Clearly, passage of this legislation is in the best interests of the citizens of this area, the Federal government, and the airports themselves.

This bill would provide to the citizens upon whose lives the airports so heavily impact, a voice in the running of these airports—a voice which they have never had and a voice that citizens of all other major metropolitan areas across this nation now have.

The estimated $250 million necessary to effect much needed capital improvements such as a mid-field terminal at Dulles and the rehabilitation of congested terminal and parking facilities at National can best be dealt with through the bonding authority which would be available under this legislation to the local airport authority. It has been suggested, as an alternative to this transfer, that the $250 million for these improvements be made available through the Federal Aviation Trust. This is, quite frankly, just not an option. The Federal Aviation Trust has never disbursed such a great amount to any one airport in their history, and there is a very good reason for that. Could we really expect the Trust to provide such a sum at the expense of all the other airports across this nation? Certainly not.

The citizens of the Washington Area are prepared to shoulder the financial burden of these repairs through use of the bonding authority. There should be no question as to whether or not they should be permitted to do so. We should be particularly supportive of such an effort at a time when we have such a gargantuan debt hanging over our heads—a veritable tidal-wave of red ink threatening to destroy the very foundation upon which this nation is built. We also know that the time to deal with this problem is now—not tomorrow—now. Transferring Washington National and Dulles Airports to a regional authority is one step in the direction of stemming that tide.

For the reasons which my colleagues and I have outlined, I would strongly urge the committee to favorably report this legislation as being in the best interests of the Washington community and, indeed, the entire nation.

I would be happy to answer any questions of committee might have. Thank you.

Senator TRIBLE. Thank you, Congressman Parris.

Congressman Wolf.

Mr. WOLF. Thank you, Mr. Chairman.

If I may just submit my testimony and some other material for the record, and then make a couple of comments based on some of the testimony that's been made before.

One, this bill is not a perfect bill, but it is a balanced compromise. It has the support of most of the people in the Washington metropolitan area. And I would say to Senator Hollings, I respect you, I think you have been an able representative of your State. I happen to be the Congressman who represents both of these airports, National and Dulles Airports.

It is a very sensitive issue. There has been tremendous noise and every administration from back in the days of President Kennedy has had to deal with this problem. I think most Secretaries of Transportation—and I sympathize with Mrs. Dole today—have felt that they have spent almost too much time.

Drew Lewis said to me before he left that the amount of time that I spend on this issue, when I have had so many other important issues, I am not speaking for Secretary Dole; she can do it better than I can. But with the hijacking in the air and so many other important issues, I really think that fairness dictates, and the argument can be made that these airports ought to be treated

like the airports in Charleston, SC, or the airports in Louisville, KY, or any other place.

The citizens here really want to feel that they have an opportunity to have an input. I think that is the first thing.

Second, there is a very sensitive issue with regard to noise. I know that anyone who lives under or near the jet path can understand that. I have had a lot of Congressmen and Senators come up, particularly Congressmen, in the last several years that have changed their attitude, because many Congressmen and Senators are moving here now.

They live in the Washington metropolitan area. The costs of living are so high, their children are attending our schools, so they feel like part of this Washington metropolitan area. And Senator, I commute in with you. I see you on the Southwest Freeway quite a bit, and I know you are concerned with traffic and things like this.

So I think if you could just for one moment, just take yourself—and I know you do not want to be in Congress particularly representing my district, but if you could think in terms of that, of how we would like to have some say over running these airports.

Third, I am not knocking the operation of the airports. I commend you for making that point, because I think Jim Wilding has sort of been kind of forgotten about. They really have done a good job.

But there is something that nobody brought out today. The Washington metropolitan area business community has funded the Washington Dulles Task Force, which has promoted Dulles Airport. Four years ago, Dulles had 2.1 million passengers. The Fairfax County Chamber of Commerce had a dinner dance on the concourse 3 years ago. They could not do that any more.

The airport is growing, not because of the great job that the Government is doing in operating those airports, but the money has been paid for—and Governor Robb has been very instrumental in this—has been paid for by the State of Virginia and by the private sector. The business community—and not just northern Virginia, but the Washington metropolitan area—is paying for the ads, you can get a better deal at Dulles, or radio jingles, the TV ads, the brochures.

The FAA's hands are tied. It is prohibited in many respects from advertising and promoting that airport the way that you would a normal airport.

I have served on the House Public Works Committee and the Aviation Subcommittee, and I respect you, Senator. If you say you can get us the $250 million and this bill does not pass, I will be the first one coming around and saying: Senator, what can we do? I would hope that we can reach some sort of reconciliation in this process.

But I went back and looked at it, and no airport ever received—the largest grant was Atlanta's airport. It was $100 million over a period of several years. So the chances of money coming—and maybe not in the Senate, but in the House—coming out of the Congress, bumping other airports around the nation, I think are not very good.

I will just end by saying, I appreciate the committee, I appreciate the leadership that Senator Trible has shown on this. I would hope,

Senator, and I would appeal to you in the spirit of reconciliation, that we could get together and try to resolve this in a way that meets the concerns of your constituents, because I am going to tell you, I honestly believe in every fiber of my body, this bill is good for the people of South Carolina.

This will improve air service to the Washington metropolitan area for the people from South Carolina. It will be a safer, more efficient, cleaner airport. There will be a midfield terminal at Dulles whereby your people, when they want to go overseas, can come up here and fly on to Europe.

This will be good for the people of South Carolina, North Dakota, Kentucky, and not only the people of Virginia. I honestly believe this will make the operation of these airports better, better service, more flights in, so that you and your constituents can use these airport in a much better way than you currently have.

So I will just appeal to you as we move ahead that maybe we can work this thing out where this could take place.

And thank you very much.

[The statement follows:]

STATEMENT OF FRANK R. WOLF, U.S. REPRESENTATIVE FROM VIRGINIA

Madame Chairperson, I appreciate the opportunity to appear here today along with my colleagues to testify in support of legislation to transfer Washington National and Washington Dulles International airports from federal to local control through the vehicle of a long-term lease to a newly-created independent authority.

As United States representative for Virginia's 10th Congressional District, which includes both National and Dulles, I have had a longstanding interest in matters affecting those airports. Since I began serving in the House in 1981, I have advocated local control of National and Dulles, and I believe that this bill offers the first real opportunity for citizens of the Washington, D.C. metropolitan area to have the same voice in the operation of these airports as do citizens in all other metropolitan areas of this nation. As one who worked closely with the Department of Transportation drafting this legislation, I would like to highlight for you the process by which the bill developed, as well as a few of its major provisions.

BACKGROUND

The genesis for the airport transfer came in June 1984 when Transportation Secretary Elizabeth Dole established an "Advisory Commission on the Reorganization of the Metropolitan Washington Airports" to recommend the best course of action for placing operation and control of National and Dulles in local hands. I was pleased to serve on the 15-member commission which was chaired by former Virginia Governor Linwood Holton and composed of congressional, state and local officials, along with representatives of the aviation industry.

HOLTON COMMISSION

The "Holton Commission" (as it came to be known) filed its report to Secretary Dole in December 1984, reflecting consensus though not unanimity on the most desirable approach of local control. From December until the bill's recent introduction, the Department of Transportation (DOT) general counsel's office worked on legislation to accomplish the transfer in a way that conformed to the Holton Commission recommendations.

LONG-TERM LEASE

Central to the Holton Commission report was the view that control over both airports should be by long-term lease to a single, independent operating authority, constituted by mutual agreement of the two jurisdictions most vitally affected—the Commonwealth of Virginia and the District of Columbia. A consensus of commission members believed this is justified by the location of the airports in Virginia and the demand for passenger service generated by the District.

AIRPORTS AUTHORITY BOARD

The Holton Commission also recognized Maryland's role in the management of the airports and recommended the creation of an 11-member Airports Authority Board with five members appointed by the Virginia governor, three by the D.C. mayor and two by the Maryland governor, as well as one member appointed on behalf of the federal government by the President. Members of the Airports Authority Board could not elective or appointive political office and would serve without compensation. While a simple majority would be required for most board decisions, a "super majority" of seven votes would be necessary for approval of the annual budget or to okay bond issues.

BONDING AUTHORITY

The ability to issue tax-free revenue bonds for capital improvements will be an important asset of the newly-created local board and it may very well be the single most important reason for switching the airports from federal to local control. If you are a user of Dulles, you know well the need for a new terminal to accommodate the air carriers' need for traditional gate facilities which would allow for more convenient movement of passengers.

Once the need for these capital improvements is recognized, the question becomes—how do we pay for them? At a time when all of us are trying to find ways to control the deficit, I do not believe it is appropriate to use federal dollars to pay for these improvements. Instead, I believe that the issuance of revenue bonds by a local authority is the most sensible way to go. In fact, I expect that one of the new airport board's first actions would be to issue tax-free revenue bonds to finance contruction of a new midfield terminal at Dulles.

I hope you agree with me that the most responsible way to make necessary improvements of Dulles would be through this bonding mechanism provided to a local airport authority. While some might argue that federal airport trust fund money should be used to finance the improvements, I strongly disagree with such a proposal and think it is likely that the great majority of American taxpayers would not be so fond of the idea either. It is important to remember that at least $250 million would be necessary to make even minimum short-term improvements, and that additional hundreds of millions would be called for in the future.

GROWTH AT DULLES

Madame Chairperson and members of the subcommittee, I strongly believe that local control of National and Dulles airports by a single operating authority is in the best interests of our region's citizens and our nation's taxpayers. I urge you to report this bill favorably to the full committee.

Senator TRIBLE. Thank you, Congressman Wolf, Congressman Parris, Governor Robb.

Senator Ford, questions for the witnesses?

Senator FORD. Mr. Chairman, Congressman Wolf likens himself unto election time. Everybody is kin, particularly to the candidate, and you are telling me how good it is for Kentucky. I would say how good it was for Virginia if they are getting ready to turn over Dulles to Kentucky. I want you to know that. And since we are commonwealths, it would be even more important that Kentucky get it.

Congressman, you talk a little bit about how much money has been spent to promote Dulles. Have you given any thought to how much money Maryland has spent promoting BWI, without any Federal help?

Mr. WOLF. Yes, sir, and I respect what they have done. I think they have done an outstanding job.

Senator FORD. Would you not be a little critical of what is going on if you were involved in that amount of money and being concerned about midfield terminals and all this good stuff that is about ready to happen to Dulles?

Mr. WOLF. Well, Senator, I respect their position, but I really do not think the way to push something is to pull somebody else down. I think there is enough business for all airports in this area. I think that there can be an accommodation to the State of Maryland. I respect their concerns.

I think where fair and decent people sit around the table, they can work things out in the spirit of reconciliation. I understand their concerns, but the way to address those concerns is not to pull down and destroy Dulles. Literally, Dulles will cease to grow if that midfield terminal is not built.

So I think we can grow together. There is enough business. I take my hat off to Governor Hughes and the State of Maryland. They have done an excellent job in promoting that airport, because they have done it in the private sector. We ask for the same opportunity, where we can promote it in the private sector.

So I think the way to do it is to push us both up and not to tear each other down.

Senator FORD. It bothers me just a little bit that 11,000 acres are going to be turned over to this commission, with all the restrictions that the next 35 years about the only thing you are going to be able to do other than supervision of you and I—at least that is the way I understood Secretary Dole this morning—is to issue industrial revenue bonds, nontaxables, and build a midfield terminal and the parking garage.

Governor Holton said he could negotiate a parking facility at National in 15 minutes if he had the ability. So I wonder how much benefit as you see it is going to be to the general public, and not just the general area.

Mr. WOLF. I think there will be a lot to the general public. I do not want to bring up—I am not suggesting that National Airport is not safe—

Senator FORD. Well, I brought that up earlier, with the inability to have security police out there where they are 25 percent short.

Mr. WOLF. And you are absolutely right. Senator Trible has a bill in and I have a bill in the House that takes care of the pay rate problem, the special pay rate. Senator Trible put it in on Thursday of last week and I put it in the other day.

You are exactly right, I think we should do more for the FAA police. But I think this will be in the best interests of the people of the United States. It will be safe, efficient, clean. It is a gateway to the Nation's Capital.

I respect Senator Hollings' point about it is a national facility. And Senator, I do not favor turning the zoo over to the District of Columbia, but I think this is a little bit different. We are willing to work with you. If you want to change some of those figures, fine.

But I think this is really important, to build that new midfield terminal. I went out there about 3 weeks ago and visited with the Pan Am people. There is no more space for overseas flights, and now Pan Am just announced that they are going to put a new flight into Frankfurt, a new flight into Paris, a new flight into Mexico City.

When people come in from around the world, why should they have to go to Kennedy and come on down? They ought to be able to

come into the Nation's Capital. So I think it will be for the benefit of——

Senator FORD. I thought Pan Am just announced new flights out of Dulles.

Mr. WOLF. Yes, they did, and they are at maximum now. They really will not be able to have any more, because that terminal is really packed, the overseas terminal.

Senator FORD. What do you propose to do to increase the facilities so that we can have more flights?

Mr. WOLF. The midfield terminal.

Senator FORD. The midfield terminal will do that?

Mr. WOLF. Yes, sir, it would.

Senator FORD. It is so big that you can have the main terminal and the midfield terminal?

Mr. WOLF. Yes, sir. At the midfield terminal——

Senator FORD. 11,000 acres, and the Secretary said you might need more.

Mr. WOLF. Sir, let me cover both those points. They may need more. It is the quietest airport in the Nation. Because there are 11,000 acres out there. There literally are no citizens who are having airport noise. It has been built for the jet age. President Eisenhower recommended to go out there and find someplace where there would not be a problem. National was built for the prop plane.

But second, on the midfield terminal, the projections are, Senator, to build 48 gates. There are 42 gates currently at National Airport, so we are going to build 6 more gates at Dulles in the midfield terminal than we currently have at National. So that midfield terminal would really help.

And a new airline just announced they are going to have flights into Cincinnati, and we are hoping to add flights into Louisville and places like that, whereby you currently cannot get——

Senator FORD. Quit tempting me with additional flights to Louisville. I know when I am going to get additional flights in Louisville, when we get our terminal sufficient to meet the ability for the planes to come in. When we have $7.5 billion in airport improvements and this administration will not turn it loose, then we are not going to get the improvements at the other airports that we need.

Mr. WOLF. Well, you raise a good point. That is why we do not want to take $250 million out of the airport trust fund.

Senator FORD. With $7.5 billion, and they have a vise in it, $250 million is not going to hurt too much, is it, when it costs $370 million, according to Senator Hollings, just to pay for the $250 million cost for the expansion?

I am just like Governor Robb. If you need something, the Governor can get it done. I understand how Governors, operate and I appreciate his ability and his tenacity and what he is able to do. But it is just like building a road. About the time you get it finished, you need another lane on each side.

And I suspect the quietness of Dulles will become the same kind of problem at National, the way we are going. So you might as well get ready for some of that.

Thank you, Mr. Chairman.

Senator TRIBLE. Senator Hollings.

Senator HOLLINGS. Thank you, Mr. Chairman.

Congressman Wolf, I think you and I can get together. The whole proposition is to get these improvements out there. Now, we have not asked for money to do that. Since I have been working weeks in and out on the budget, and more particularly right up until yesterday on the budget conference, I get a relative value about the thrust of things. $250 million is one quarter of a billion dollars, Congressman Parris.

But within the Budget Committee as we are studying things, we look at those things. And to be perfectly candid, not that we are casual about $250 million, but that is 0.25 and we just do not argue too much, particularly when it is in a trust fund. I know that we have the unified budget and it counts against everything, but you have got 7 billion bucks sitting there.

And Congressman Wolf, as has been pointed out, $100 million to Atlanta, over a period of years Dallas-Fort Worth $150 million. Now, this belongs to all the people, and we have $7 billion sitting there. And my only point is, yes, we can do other things you and I want done quicker and much, much cheaper. I do not believe in wasting money.

Washington has been described in various ways, and I am a resident of the District here for 19 years. I criticize myself, but I say it is the only insane asylum in the world run by the inmates.

Well, we looked at that when we backed up here three Christmases ago on a highway jobs bill that was $5 billion. We did not have the $5 billion. We were adding that to the deficit. We were spending money we did not have. Yet over there there is a set-aside in the highway trust fund which is a $10 billion amount.

So there was the $10 billion that we had in the highway trust fund, that could not be expended on anything else regardless of the deficit, and we were spending money we don't have and filibustering right into Christmas and beating each other up over $5 billion, over money we did not have. Do you see what I mean?

There it is. Now, I am seeing this from my experience on the Appropriations Committee and the Budget Committee. And I can tell you right now, you and I have been negligent. We just have not presented the case. I have not paid that much attention to it, honestly, until this thing came across my desk. I have been interested in a lot of things, just like you.

But you have been intimately interested, you and Congressman Parris, with the airports there. Now I find, having been a Governor, Governor Robb, and appointed authorities, that they are not all that smooth, particularly—and we will get into later on, into the New York and New Jersey Port Authority.

Mr. Chairman, your point, John C. Calhoun's "Disquisition on Government"——

Senator TRIBLE. I thought we might return to that at some point.

Senator HOLLINGS. The power of protecting itself. He was talking about the filibuster. You do not get a filibuster in an airport authority. They just vote. And therein, I have been a Governor. If I have got five and I tell the President when he comes around just before he is swearing in, there is one thing, Mr. President, we are interested in, that sixth vote. I have got a friend out in Kansas, or

I have got a friend in Kentucky, that is really an airport buff and a wonderful citizen, big supporter of yours, I can pick up that sixth vote and there it is.

I know how we can control those things. I have been in the game 35 years myself. The game, Governor Robb, is just that. Here you and Governor Hughes are the best of friends and cannot get together. That speaks of how that authority is going to be.

We do not have that discord right now. We just happen to have an accord. We have a tremendous harmony between Senator Trible and Senator Warner and President Reagan and Secretary Dole, and they are in total harmony not to even ask for the money. Now, that is our problem.

As you stated—and you answered my question that I was going to propound—if it was feasible, politically possible, to get the $250 million and start moving, you could support that approach. And therein is what I want to try to do. I cannot see us going—and I will furnish the Congressman—I doubt if you and Congressman Parris and the distinguished Governor have had a chance to see the Congressional Budget Office study, but the CBO has already propounded the cost basis.

And for $250 million in airport authority bonds, what you are really going to have to do is spend $370 million for the issuance of those bonds, their interest cost, and everything else over the years. And the users, instead of paying for $250 million, are going to pay $370 million. And thereafter, Congressman Parris, it is going to cost the taxpayers of the United States an additional $250.3 million in revenues.

Now who is making the raid on the Treasury? Wait a minute. I am just making this and I will ask for your comment. I am delighted to hear your comment. But I mean, you use this language that we are going to raid and it is at the expense of all the others.

This is not a competition with all the other airports. This is the people's airport. The Charleston Airport Authority in South Carolina belongs just as much to National and Dulles as the Atlanta one, or whatever it is. They have no reason to object. This belongs to all of America coming into their Nation's Capital to see their Representatives and their Senators and their Government. It does not belong, just because I live here, to me.

And here we have the responsibility, here we have the money, it is all backed up in the pipeline, and you want to go and spend some $250 million more and charge the users, which is going to cost an increased cost, as the Senator from Kentucky has said. That just does not make good sense to me.

We have not differed on the midfield terminal. I agree with you absolutely. I am using those particular plans—the midfield terminal, parking garage, all of the other facilities. Bless us all, I would love to have it out there this afternoon, because I have to leave way early to catch it.

So I wanted you, as my colleagues there, to thank you. I appreciate your sincerity, but I wanted you to understand my sincerity on this thing. I just do not believe in using the approach of the Secretary, and it is quite obvious she reached a political conclusion because her President was not going to give the money.

She did not even bother to analyze. She does not have a Department of Transportation comparable for what it is going to cost the taxpayers to go the airport bond route or taken from the construction fund route. She does not have an analysis. She has not even given thought to it, and everything else.

For her, it has been a political problem of reconciling Maryland and Virginia, a political problem as a Secretary handling so many responsibilities, the Coast Guard and everything else over in that particular Department, to say, well, I do not even want to hear about airports any more, I can get rid of that one.

And that is really what has been in the craw of every Secretary that has come around. Because they think they are going to get there and really handle transportation problems, and they look around and there is the Coast Guard, and the next thing you know they have got some particular happening at an airport and it does take time.

But I think she has done the right thing. She has appointed Mr. Wilding. He is doing a good job. There is no criticism there.

And I would ask, Congressman Wolf, if you study my proposal and let us see if we can amend it. We can get the money. We have not asked. We have not had a hearing. We have not asked anybody for the $250 million. The Congressmen, the Senators, would all go along with putting that there and improving it if they were properly presented the alternative, that being presented by Secretary Dole in the form of the bill that you support, namely to spend $250 million more of the taxpayers' money and upping the charges some $370 million over what has already been collected from the users of this.

So you have got to get that $370 million out of the fees and everything else. So I am upping the fees and everything else of that kind, where I can do it cheaper and quicker.

Governor, would you comment?

Governor ROBB. Senator, if you do not mind, I had four appointments on Capitol Hill this morning and I have to testify on that budget you talked about just a minute ago, and that deadline is fast approaching.

I would like to comment, if I may very briefly, and then I will turn it over to Congressman Wolf, who has both of those airports, and Congressman Parris, who surrounds them very nicely.

First of all, we are result oriented, or at least I am result oriented right now, and I just want to accomplish the mission. As far as I am concerned, go for it. If you can accomplish the mission that all of us want to accomplish, the only thing I would ask is, please do not hold up other solutions that we may have to fall back on if yours does not come through. That is as far as I will go on that particular question.

Obviously, when you talk about the cost of money and the present cost, discounted value of future money if you have to go out and borrow it, as opposed to being able to finance it internally, sure, you are going to pay the cost of carrying that money. I do not quarrel with that.

You might be pleased, to know that I have already entered into negotiations—Senator, former Governor Ford, talked about getting Dulles for Kentucky. It seemed like an appropriate gesture, I asked

my friend Harry Hughes this morning if I could enter into negotiations for the purchase of the Port of Baltimore, and he said he did not know what the price was, but he is sure there was a price.

So we can do business. It is just a matter of finding the right figure and getting together and see who can get to the finish line first. There are some niceties and I know some of those are of particular concern to Congressman Wolf because of the citizens within the District. But I think all of us are simply concerned about getting those improvements so the quality of air transportation and your constituents and my constituents will be better served.

With that, Mr. Chairman, members of the committee, I appreciate your interest. I think there is some common ground here we can find to get together, and I look forward to working with you to achieve that common ground.

Thank you.

Senator HOLLINGS. Thank you very much.

Senator TRIBLE. Congressman Wolf.

Mr. WOLF. Senator, I thank you. I just wanted to make a couple of comments.

If you do go your route, it will be necessary to change the law. The current law prohibits money coming out of the trust fund to both National and——

Senator HOLLINGS. Do you see any political or practical or other reason why we should not have it participate, other than the law the way it is set up right now? In other words, there is nothing wrong with changing that law. These airports are paying the same amount of taxes, fees, and everything else.

Mr. WOLF. If you are going that way, I am just saying you have to change the law.

Senator HOLLINGS. Surely. We have to change a law to go the authority route.

Mr. WOLF. Sure.

Two other points. There is a difficulty we are experiencing of getting money in the Washington metropolitan area for metro. We support metro, and every time we come up for more we are always competing with Atlanta or with Baltimore and other cities around the country. So I think the same problem, though, will probably come up, up here.

The last point—I just want to end on this—is that there is another element that I think is really important, and I think you can appreciate it, local control. We really want to feel that we have a part in running these airports. Our people have been impacted by them, benefited but impacted, and there is an element of local control which I know you can understand.

I think you were a supporter of D.C. home rule when I practiced law. I remember you giving a speech once and you were for home rule. And we want some home rule. We want some local control.

My closing comment is, hopefully we can work together, as I said, in the spirit of reconciliation and try to resolve these things. We can move ahead, as Governor Robb said, and build this midfield terminal, improve service for all of the people of this Nation.

And I thank you very much, and I thank you, Senator Trible.

Senator HOLLINGS. Congressman.

Mr. PARRIS. Thank you, Senator.

Let me add quickly to what has been said. With all due respect, we get the same kinds of reports on our side of this Hill as you gentlemen do. Sometimes I agree with them, sometimes I do not. I do not happen to agree with this one. As the Secretary said, I think the numbers are way out of whack. But I do not have any specific information on that. She will furnish it to you.

The point I am trying to make is, Senator, that I think the $370 million going the bonded indebtedness route is different money. It is going to be paid for by different folks, and the $250 million that we would spend to do the midfield terminal and that sort of thing, that is U.S. taxpayers' money. The $370 million will be users money, by and large.

Now, these are the same folks——

Senator HOLLINGS. That is not any different from the trust fund. The trust fund is users' money. Now, there is some $250 million, an additional $250 million to be paid by taxpayers. Look in that final column.

Mr. PARRIS. That is assuming we do not change the tax bill, Senator. You did not vote for that roads bill and I did not, either. And I may not vote for the tax bill.

The point I am trying to make is your comment that we now have Federal ownership and there is no discord, well, that may be true, but we have one lousy airport that is inadequate and in some instances unsafe, and we have got one languishing giant that ought to be the great aviation facility of the world, and it is sitting out there on the end of a road that very few people use. Now why do we not do something about it?

Senator HOLLINGS. Well, do you not see, now we are going in two different directions. We have a tax bill by the administration that says disallow the interest on these——

Mr. PARRIS. You like to bet that that is going to pass?

Senator HOLLINGS. But I am just saying what the administration wants.

Mr. PARRIS. Well, we are talking about an airport transfer bill. We are not here to discuss the tax bill.

Senator HOLLINGS. No, no, no, no, no. Let us not finesse that one.

Mr. PARRIS. Why not?

Senator HOLLINGS. The airport transfer bill says use these tax-free bonds. The administration says, oh no, we are not going to have tax-free bonds. Now, which way is the administration going?

Mr. PARRIS. The Secretary of the Treasury has been saying that for 5 years and it is not the law yet. A different Secretary of the Treasury, I will give you that.

Senator HOLLINGS. That is your answer. I think, rather than have those differences that we talk about right there and having the differences with Maryland and Virginia and everybody else, Congressman Wolf and I can get together, and I am willing to have some local participation because I understand the noise and the need for the local participation.

I want to hear from my mayor here, because I stand up over there in Georgetown and I cannot talk as a plane comes right down the Potomac. It is not just over in Virginia, you know. It is in the District that we are getting that noise, too. So we all have an interest there in the noise and other inconveniences.

But I think we have a better grasp of it as Congressmen and Senators than putting it into an authority that will cost the taxpayers more money and watch Maryland and Virginia, like tying two cats by the tails and throwing them over the clothesline, go into that fight.

It is just like New Jersey and New York. The only reason they ever get together is those Governors up there have a veto. Now, Virginia does not have a veto and Maryland does not have a veto and our friend in the District of Columbia does not have a veto under this. The only way they ever got together up there on that one was that veto provision, and of course you cannot have that here.

Mr. PARRIS. If I could be permitted one other sentence, Senator. I think that we sometimes have the tendency to miss the fundamental question here: Is it appropriate, is it the business of the Federal Government, to be in the business of running these two or any other airports? The only aviation facilities on the planet owned by the Federal Government are these two airports.

Senator HOLLINGS. And they work well.

Mr. PARRIS. Is that appropriate? They own two bridges, Woodrow Wilson and Cabin John. Is that necessary? The only two bridges in the world owned by the Federal Government. Is that what we are here for?

Senator HOLLINGS. You have a philosophy problem.

Mr. PARRIS. I have got a local constituent problem as well.

Senator HOLLINGS. I am trying to satisfy my airport problem. I do not think we are going to satisfy your philosophy problem.

Mr. PARRIS. Well, we can try.

Senator TRIBLE. There is a vote, and we will recess to vote and come immediately back. We will continue with these proceedings until the last witness has testified.

But I just want to ask rhetorically, how successful you envision you might be in advancing the proposition that one-quarter of $1 billion be expended from the Airport Improvement Program for these airports, in view of the fact that there are 650 air carrier airports and a total of 3,000 airports of all sizes eligible for AIP funds?

How likely are you to succeed in the House of Representatives? My own experience of 6 years would suggest that will be a very, very difficult undertaking.

Mr. PARRIS. The chances are slim and none.

Senator TRIBLE. The record will reflect your full answer, and we will recess and return in a moment.

[Recess.]

Senator TRIBLE. Ladies and gentlemen, the subcommittee will come to order.

Senator Warner, we are glad to have you back to join the panel.

Senator WARNER. Mr. Chairman, I would like to have the record reflect that at 10 o'clock this morning, by prearrangement and announcement, the two subcommittees, Defense Appropriations and the Strategic Forces Subcommittee of the Armed Services Committee, of which I was chairman, convened at 10 o'clock to receive testimony from the leading officials in the Central Intelligence Agency on the subject of the Soviet strategic systems.

That hearing went from 10 until 12:20, and I have now returned.

Senator TRIBLE. Well, we will next welcome two members of the Maryland delegation, the Governor of Maryland, Harry Hughes, and Beverly Byron, distinguished Member of the House of Representatives. And Paul Sarbanes will be joining us in a matter of moments.

And I wondered if you would not object, Governor Hughes, if we might also invite Mayor Barry to sit at the table if he would choose to do so, recognizing that he, too, has things to do and important places to go, even though you all may present a different viewpoint. There is no ulterior motive on my part to balance the testimony, I assure you.

Senator FORD. It is the imagery, Mr. Chairman.

Senator TRIBLE. I would be inclined to wait for Senator Sarbanes, but I also recognize that your schedules are pressing. He is on his way, if you would not mind waiting for a moment.

Here is Senator Sarbanes. Senator Sarbanes, I have introduced your colleagues and friends from Maryland, and we have also welcomed Mayor Barry, who has a busy schedule, as do all of you. So you are invited to submit your formal testimony for the record, make whatever summary statement you deem appropriate, and then perhaps you might answer a few questions along the way.

Senator Sarbanes.

STATEMENTS OF HON. PAUL S. SARBANES, U.S. SENATOR FROM MARYLAND; HON. HARRY HUGHES, GOVERNOR, STATE OF MARYLAND; HON. MARION BARRY, MAYOR, THE DISTRICT OF COLUMBIA; AND HON. BEVERLY B. BYRON, U.S. REPRESENTATIVE FROM THE SIXTH DISTRICT OF MARYLAND

Senator SARBANES. Mr. Chairman, I am pleased to submit my statement for the record. I will be very brief. I know this hearing has been quite extended.

I want to make just two or three points. First of all, there is, I think, a Federal interest in the operation of these airports and we ought to recognize that. This is the Nation's Capital. They serve as the gateway. Therefore, I think in considering changes we have to consider very carefully what is being proposed.

Second, it is important to understand the premises of Secretary Dole's charge to the Advisory Commission on the Reorganization of the Metropolitan Washington Airports—it in effect assumed that the airports would be transferred away from the Federal Government. Her whole motive, I think, or a large part of her motive has been to devolve these airports away from her responsibility. I think that's one of the reasons that many people have fastened on the issue of compensating the Federal Government for the transfer of these two major assets.

Some of us who served on that commission made an alternative recommendation which is contained in the alternative report of the commission. Taking the premise that the FAA should not be in the business of operating the airports, we took a different approach and supported the notion of transferring National to an interstate authority of equal membership, Maryland, Virginia, and the District of Columbia, with the possibility of some Federal participation as well, and the transfer of Dulles to the State of Virginia.

That, of course, would in effect separate the operation of those two airports. We think that is important. Maryland has invested significant money to making BWI a very effective, functioning airport, but the tie arrangement between National and Dulles permits innumerable opportunities, not only for financial subsidization but also for various discrete pressures with respect to carrier access to the airports.

So that the extent to which the carrier commits to Dulles may affect the extent to which they have access to National, which is, of course, a highly preferred access. And we feel in Maryland that puts us at a very strong, competitive disadvantage.

There is an important asset there. I think we have to consider the Federal investment in that asset, and that ought be one of the major items before this committee. We have to consider what arrangement makes the most sense in terms of addressing the air transport needs of the National Capital area.

We have the further concern that has been expressed by all or by virtually all of the witnesses, of the impact of the operation of the airports on the surrounding communities, the noise question, and other similar environmental problems, which also have to be dealt with. And I do think we need a structure that permits input on those issues, that provides some assurance and protection to the local citizens.

That, very quickly, I think, summarizes the points I wanted to make to the committee. The limit on the charge from Secretary Dole to the commission, which precluded examining it in a broader sense, including some other proposals which Senator Hollings has made; the alternative report to the commission by the Maryland Members which, assuming the receding from any role on the part of the Federal Government, suggested a different way to handle the matter; the need to make sure that any arrangement worked out is competitively equal as far as the future operation of the airports. Maryland, of course, has made an enormous investment and commitment in BWI, and we think that needs to be recognized in terms of considering what is to happen to National and Dulles.

Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF HON. PAUL S. SARBANES, U.S. SENATOR FROM MARYLAND

Mr. Chairman, I appreciate your allowing me to appear before you to testify on S. 1017 and the issue of transfering the Metropolitan Washington Airports to an independent airport authority. As one who has been involved in this issue since the inception of the Holton Commission, I have followed it closely. I share the concern of the Secretary of Transportation and Governor Holton in establishing a new and reasonable framework for non-Federal control of National and Dulles Airports, and in the miniority report filed by the Maryland members of the Holton Commission, I believe we recommended a viable approach. S. 1017, the bill before the Subcommittee today, however, is not the solution; and I am here to indicate my strong opposition to this bill.

The most compelling reason to oppoose S. 1017 is that it is fiscally irresponsible. The Federal Government has spent many millions of Federal tax dollars to develop National and Dulles Airports. Estimates of the fair market value of both airports have placed their value at $341 million. This figure does not even include the commercial value of over 3,000 acres of prime undeveloped property at Dulles.

The bill before you today, S. 1017, calls for payments to the Federal Government of $47 million over thirty-five years by the independent authority. This price bears no relation to market value. It is in fact simply the book value of the theoretical

indebtedness of the two airport. Transfering the airports for this amount would be equivalent to selling a piece of property to buyer only willing to assume loan payments, with no consideration for equity or appreciation. The independent airport authority would not have to spend a cent to acquire these two facilities since S. 1017 provides that the purchase price of $47 million would be paid out of the operating revenues of both airports, which produced an annual surplus of some $19 million during the last fiscal year. Not only would the authority get the two airports for an approximate discount of $300 million, but the purchase costs would be borne by the users of the airports.

The Senate Appropriations Committee last year, in reporting S. 2852, the Transportation Appropriations Bill of 1985, stated in its committee report:

"The Committee will await the transmittal of legislation to convert National and Dulles to non-Federal control. However, several serious concerns are apparent in such an approach. First, any change in the status of National must take into consideration the value of Federal land on which the airport is located. In the event such land is to be sold or converted to non-airport status, the Federal Government must receive the fair market value of this property. The Committee must insist that the land revert to Federal control before disposition or sale takes place."

S. 1017 is also deficient in that it does not recognize Maryland's interest in the airports nor the fact that over 40 percent of the Washington region's population resides in Maryland. The legislation would also remove the last vestige of Congressional control over the operation of these two facilities, thus limiting our ability to assure adequate safety and service to those thousands of citizens using National and Dulles on a daily basis.

I believe that the airports should be transferred to a locally-controlled public entity; however, this must be done fairly and with the concurrence of all affected jurisdictions. S. 1017 does not do this. This bill is contrary to the national interest, to the interests of Federal taxpayers throughout this country who have paid for these airports, and to the interests of those people from all over the nation who will use these facilities in the future. For these reasons, I oppose S. 1017.

Senator TRIBLE. Governor Hughes. Protocol might argue for calling on Mayor Barry next, recognizing that we are in his jurisdiction. But Governor Hughes, we are going to recognize that you have been sitting longer. And we thank you for your patience, all of you.

Governor HUGHES. Thank you, Mr. Chairman and members of the subcommittee.

I am a little uncomfortable being here in opposition to my friends from Virginia, particularly Governor Robb. We have worked together so well on so many things, particularly our efforts to clean up the Chesapeake Bay. He did suggest to me that he might be interested in buying the Port of Baltimore, and I said: Well, I do not know what the price is, but I can assure you it is more than $47 million over 35 years.

At the outset, I would like to acknowledge the hard work of Governor Holton and Secretary Dole and their dedication to this effort. Maryland fully participated in the advisory commission chaired by Governor Holton, with the same goal shared by all of its members, to find an appropriate mechanism for transferring National and Dulles Airports to a State, local, or interstate government body. And that is still our position.

However, that transfer must take place in an equitable manner which allows full and fair representation of the affected parties and which does not unduly benefit one State or one jurisdiction at the expense of others. In my view, Senate bill 1017 does not meet these essential fairness principles.

The legislation before you would adversely affect the interests of the citizens of the State of Maryland, and would do so long after the initial transfer. Allow me to just briefly highlight some of our

major concerns. These are more fully described in the written testimony which I ask to be incorporated into the record of this hearing.

First is the issue of representation. I am sure that you are all well aware of the fact that Maryland makes up a significant part of the metropolitan area. In fact, Maryland residents constitute over 40 percent of the metropolitan population. Further, Marylanders make extensive use of National and Dulles Airports.

Additionally, like Virginians and residents of the District, Maryland residents are directly affected by the noise from operations at National. Yet the proposed authority's voting board would have the Governor of Maryland appoint only 2 of its 11 members.

As an alternative—Senator Sarbanes mentioned this—we propose an interstate authority for National with equal representation from the District, from Maryland, and Virginia, and the transfer of Dulles to Virginia. This would permit the Commonwealth to develop Dulles in a manner similar to Maryland's experience with Baltimore-Washington International Airport.

An additional point is that by providing that approval of only Virginia and the District is required to create the authority, the legislation fails to acknowledge Maryland's vital interest in this issue. In summary, the proposed authority structure is regionally unbalanced and is not the result of a regional consensus, as it should be.

Second is the issue of unfair competition. The three airports in this region do compete for service, and it is in the public interest for us to do so vigorously. This legislation fails to acknowledge BWI's role as an airport of service to the Washington area and, of greater significance, it does not consider the impact on BWI's competitive position. For example, about 30 percent of our passengers come from the Montgomery and Prince George's County areas of the Washington metropolitan area.

Let me give you an example. The proposed legislation would allow continuation of the present practice of setting one common rate for landing fees at both National and Dulles and in effect using the revenue from the more heavily utilized National Airport to subsidize the landing fees at Dulles. Those fees, for example, now are below what the landing fees are at BWI.

Now, the proponents of this bill have pointed out that all major airports in this country are owned and operated by State and local public authorities. I think it is accurate to say that Maryland is the only State that owns and operates an international airport of that magnitude. And so, they say, Dulles International should also be operated that way. We agree.

But I believe it is only fair to add that all of the major airports in this country are run as separate business centers, with landing fees set at each airport, and the same should be the case at National and Dulles.

Now let me examine now what perhaps is the most unfair provision of this legislation, the transfer price or lease price, I guess, for the two airports. To our knowledge, no recent appraisal was available, but in 1983 the Grace Commission used three methodologies to estimate the value of the two airports.

Estimates ranged from $292 million to $414 million, with a mean value of $342 million, a figure that has been used here this morning. In addition, an estimate of the value of the airports must include the value of developable land at Dulles. There is at least 2,000 acres, and some say more, of developable land.

Now, I might point out, because of what I have heard this morning, as I read this bill insofar as the land is concerned it says this, and I am quoting from the bill: "For the purposes of this subsection, the term 'airport purposes' when it talks about land includes a use of property interests other than a sale for aviation business or activities." Now, that is what has been said this morning, that it has to be used for aviation activities.

But it also says: "or for non-aviation business or activities that provide revenue for the airport authority." Now, that says to me that you can put a garment factory out there and if the airport derives revenue from it then it comes under the definition of airport-related business.

As a point of comparison, in 1972—and now I am comparing with Maryland—while I was Secretary of Transportation in Maryland, the State acquired Friendship Airport from the city of Baltimore. The State paid $36 million outright for this facility. Users did not pay for it. We issued State general obligation bonds and paid $36 million for it.

In today's dollars, this investment amounts to some $97 million. Since 1972, Marylanders have invested over $100 million in improving BWI, making it the splendid facility that it is today. In today's dollars, this investment exceeds $150 million. Thus, at today's prices Marylanders have invested over $250 million in BWI. It just strikes me that that is a coincidence, I have heard the $250 million figure used here this morning for other purposes.

Now let us compare this to the proposed transfer price of $47 million for both National and Dulles, and to be paid over 35 years. Even if you include the up-front payment for unfunded pension liability of some $35 million, the cost to the authority for the two airports is ridiculously low when compared to the cost that we have paid to acquire and develop BWI.

Senators, you may have seen press reports that Maryland is preparing an unsolicited offer to acquire the two Federal airports and you may be wondering about our intentions. All we are saying is, if the Federal Government is willing to give away National and Dulles at a ridiculously low price to an authority which does not include balanced representation and thereby jeopardize Maryland's substantial investment at BWI, our only prudent course of action is to protect our investment and to protect the interests of affected Maryland residents by putting our offer on the table.

Those Maryland residents are also Federal taxpayers. In order to start the bidding in a spirited manner, we would be willing to double the asking price and offer $94 million for Dulles and National.

I believe our position is clear. We favor transfer of the airports to local control. All we ask for is fair representation, fair competition and a fair selling price.

Thank you for your consideration.

[The statement follows:]

STATEMENT OF HON. HARRY HUGHES, GOVERNOR, STATE OF MARYLAND

Good morning, Madame Chairwoman and members of the subcommittee. I am pleased to be here with you today to testify on the proposed transfer of the two federally owned and operated airports to a new airports authority.

Before I express Maryland's strongly held concerns with respect to the transfer, I would like to take a monent to acknowledge the dedication and determination of Transportation Secretary Elizabeth Dole, and the yeomanlike work of former Virginia Governor A. Linwood Holton, Jr. While we in Maryland could not endorse his Commission's December 18, 1984, recommendation to Secretary Dole advancing transfer of Washington National and Dulles to a joint Virginia-District of Columbia airports authority, we can and do appreciate Governor Holton's dedication to a difficult task. Maryland has great affection for Governor Holton and his colleagues in the Commonwealth. I trust an honest disagreement among public servants will not harm the longstanding spirit of cooperation which binds the Commonwealth and Maryland. During the Revolutionary War, Maryland and Virginia tobacco growers united as patriots to help Benjamin Franklin finance our struggle for independence. Today, Maryland and Virginia are working together to restore the environmental integrity of our Cheaspeake Bay, to name but one initiative of common purpose between our two states.

It is interesting to note, Madame Chairwoman, that it was exactly fifteen years ago this month that this same distinguished Subcommittee heard testimony on a similar airports transfer bill, introduced by former Virginia Senator William B. Spong. This June 12, 1970 hearing included testimony before the Subcommittee by the City of Baltimore, in its capacity as owner-operator of then-named Friendship International Airport. Fifteen years and many millions of dollars later, the State of Maryland had transformed the old Friendship into the new Baltimore/Washington International Airport [BWI]. While BWI is necessarily affected by developments at National and Dulles, Maryland's reservations with respect to S. 1017 run much deeper than a consideration of our role as an airport proprietor would otherwise indicate.

In my testimony before the Subcommittee, Madame Chairwoman, I will focus attention on four principle areas of concern:

First, Maryland's role in the proposed airports authority;

Next, financial aspects of the proposed transfer;

Third, status of Maryland owned and operated Baltimore/Washington International Airport with respect to transfer; and

Finally, disposition of three key elements of the existing federal regulatory scheme governing the two federal airports.

MARYLAND'S ROLE IN THE PROPOSED AIRPORTS AUTHORITY

At the outset, Madame Chairwoman, let met be very clear on a critical point. Maryland supports the key, underlying concept advanced by Secretary Dole and S. 1017: the interests of the traveling and shipping public, and the local community generally, are best met by transferring the two federal airports to the control of local interests. Where we begin to part company is with the definition of "local interests", and the weight to be given those interests. S. 1017 defines the local community in two fashions. First, the legislation envisions transfer of the federally owned airports to an independent authority created by the Commonwealth of Virginia and the District of Columbia. Secondly, the eleven-member airports governing body is composed of five individuals appointed by the Governor of Virginia, three appointees by the Mayor of the District of Columbia, two members appointed by Maryland, and a Presidential appointee, subject to the advice and consent powers of the Senate.

These provisions of S. 1017, Madame Chairwoman, find their basis in recommendations made to Secretary Dole by the Advisory Commission on the Reorganization of the Metropolitan Washington Airports. As you know, this Commission was charged by the Secretary with the development of a plan for the transfer of National and Dulles to an appropriate state, local or interstate governmental body.

In Maryland's view, the proposed authority structure is asymmetrical, and cannot be fairly characterized as turning National and Dulles over to local control. Recognizing that the Maryland suburbs of greater Washington represent approximately 40 percent of the region's population, it seems to Maryland that being given just two votes on an 11-member panel fails to achieve any measure of equal representation. Many Maryland travelers make extensive use of the two federal airports, with Washington National playing a particularly important role.

Based on a 1981-82 survey of air passengers conducted by the Metropolitan Washington Council of Governments, over three-quarters of a million air travelers, 14 percent of National's total traffic, began their trips in Maryland's Mongomery County alone. National does indeed function as a regional airport, as the District, accounting for 40 percent of National's traffic, and Virginia's Fairfax County, registering a 15 percent share, join Montgomery as National Airport's three most significant local jurisdictions, in terms of air traffic generation. Together, the District, Fairfax and Montgomery account for over 68 percent of National's total local traffic. On the other side of the ledger, there are tens of thousands of Maryland residents living in Montgomery and Prince Georges Counties who are burdened by the noise associated with National's continuing over utilization. Who speaks for them on this new "local" airports authority? Two voices can only speak so loudly, Madame Chairwoman.

During deliberations of the Advisory Commission, Maryland advanced an alternate plan calling for transfer of National to an interstate authority, and Dulles to the Commonwealth of Virginia. National, under our proposed structure, would be leased to a nine-member interstate authority, composed of three members each from the District of Columbia, the Commonwealth of Virginia, and the State of Maryland, appointed by the Mayor of the District and the two Governors. One or more representatives of the Federal government could be included, in proper recognition of the federal interest in the Nation's Airport.

We continue to believe that this approach best reflects the significant interests that each of the three principal jurisdictions has vis-a-vis National Airport, while permitting the Commonwealth of Virginia to develop Dulles in the same way Maryland is developing BWI. Again pointing to results of the Council of Governments' 1981-82 on-board passenger survey, Dulles clearly functions primarily as a Virginia airport, recognizing that over half of Dulles' traffic originates in the Commonwealth. By embracing the reality that all jurisdictions do not have equivalent interestes in Dulles, Maryland's approach avoids the problem of fair representation—a problem which is inherent and insolvable in the single authority proposal now before the Congress.

FINANCIAL AND COMPETITIVE ASPECTS OF THE PROPOSED TRANSFER

As we understand it, Madame Chairwoman, Virginia representatives to the advisory Commission did not consider this Maryland approach a viable alternative because it allegedly worked to deprive Dulles of a revenue base sufficient to support its capital development needs. This is basically the conclusion reached by Wheat, First Securities and Salomon Brothers in their joint November 29, 1984 report to the Advisory Commission. With all due respect to the Commonwealth and these fine financial analysts, may I point out to the Subcommittee that the State of Maryland, in purchasing BWI from the City of Baltimore in 1972, did not enjoy a National Airport cash cow to support BWI's physical redevelopment. I think our colleagues in Virginia would agree that Maryland's investment in BWI is beginning to pay significant dividends. We firmly believe that a similar commitment by the Commonwealth to Dulles will prove equally beneficial. As the supporters of Dulles, including their articulate institutional voice, the Washington Dulles Task Force, are quick to observe, Dulles has "already turned the corner".

New York Air and Pan Am have recently announced major new service patterns and plans focused on Dulles, and Presidential Airways, the new entrant being formed by former People Express President Hap Pareti, offers the prospect of using Dulles, beginning this summer, to support a hub and spoke operation, not unlike the highly successful Piedmont Airlines hub at BWI. Far from being a revenue-strapped facility, the Administration's fiscal year 1986 budget request submitted to the Congress indicates that Dulles is expected to produce a $5.4 million operating profit. Far from being an aviation mausoleum, Dulles is a vital and rapidly growning air transportation facility. During 1984, Dulles registered a healthy 18.4 percent increase in total commercial passengers and a stunning 23.7 percent jump in air freight. For the month of April 1985, Dulles recorded a 39.1 percent increase in commercial passengers over the same month last year. In a word, Madame Chairwoman, Dulles has taken-off.

Continued success seems indicated at Dulles, and we find no reason to believe that Dulles cannot be at least as successful as BWI. The words of the Washington Dulles Task Force, the actions of the air carriers inaugurating new services at Dulles, and the rapidly growing passenger and freight volumes registered by Dulles, all speak louder than the dire gloom and doom predictions offered by the financial analysis submitted to the Advisory Commission. As members of this Aviation Subcommittee

are all too well aware, events of the past few months have reminded us that the aviation industry will continue to experience dramatic change. The October 24, 1978 Airline Deregulation Act assures this process of evolutionary change will continue for the foreseeable future. Any financial analysis, even one as recent as the November 1984 report to the Advisory Commission, is therefore only valid to a point.

Just as airlines must respond to the rigors of a deregulated market place, so must airports. Based on Maryland's experience with BWI, I believe the Commonwealth of Virginia is well-equipped to meet these challenges. Virginia obviously understands the importance of aviation. The Commonwealth's support of general aviation is a model for the nation. Virginia has demonstrated its marketing and promotional sophistication through a creative and successful program of economic development, and by capturing impressive amounts of foreign investment capital. Placing Dulles in the hands of Virginia certainly makes sense from the vantage point of the Maryland side of the Potomac River, particularly in light of our experiences with BWI. We think the travelling and shipping public, and the region as a whole, would benefit from a healthy competition between a Virginia-operated Dulles and Maryland's BWI. We welcome this challenge.

Before I leave this discussion of financial considerations and competitive market forces, Madame Chairwoman, let me observe that the Subcommittee may have seen or heard press reports indicating that Maryland may be preparing an unsolicited offer to acquire the two federal airports. At a time when the Administration is preaching fiscal austerity, deficit reduction, and balanced budget, Maryland fails to see how the national interest is being served by having the new airports authority pay but a token $47 million for two valuable assets. By way of crude comparison, the State of Maryland paid $36 million for BWI in 1972 dollars. Has the Administration turned its back on the Grace Commission, and its 1983 finding that fixed a mean fair market value of $341.5 million for the two federal airports? If it has, Maryland will feel compelled to continue to sharpen its financial pencil, and place its best number on the table for National and Dulles. Prudent public policy and sound enterprise practices may leave us with no alternative.

STATUS OF MARYLAND OWNED AND OPERATED BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT WITH RESPECT TO TRANSFER

In focusing proper attention on National and Dulles, S. 1017 fails to acknowledge, in even cursory fashion, the role BWI plays as an airport of service to Washington. Federal aviation policy statements, articulated by the former Civil Aeronautics Board, as well as the Departments of Transportation and State, have long recognized BWI's role. Just to cite an example, the Metropolitan Washington Airports Policy, guiding the future operation of National and Dulles, has historically recognized BWI's status as an airport of service to Washington. The Final Rule establishing this Policy, published in the November 27, 1981 Federal Register, finds that although "the U.S. DOT does not establish policy for BWI, it recognizes that actions taken at National and Dulles may influence operations at BWI. Therefore, BWI's role was considered in the development of this policy for the federally owned airports." If similar consideration was accorded by the framers of S. 1017, it is not apparent from careful reading of the bill.

Maryland therefore feels a need to briefly make its case that BWI does indeed serve Washington, and that S. 1017 is fatally flawed in failing to consider this role of Maryland's airport. To cite a few additional findings from the Council of Governments' 1981-82 on-board passenger survey, 28 percent of BWI's traffic originated in the greater Washington metropolitan area. It is significant to note that these survey results predate the commencement of hub operations by Piedmont Airlines at BWI. When this survey was taken, Piedmont only offered six daily departures from BWI. Today, the Piedmont hub is composed of 78 daily jet departures, and nearly an equal number of commuter flights offered by its subsidiary, regional airline, Henson Aviation. As a result, BWI's penetration of the Washington market is dramatically higher today than this 28 percent figure would indicate. Piedmont's hub and spoke pattern out of BWI, with its emphasis on short to medium haul services, enables passengers convenienced by the use of BWI to make even greater use of their preferred airport, as opposed to Washington National.

BWI has demonstrated its ability to compete effectively for passengers and cargo, as well as for carriers and services, to meet the needs of the traveling and shipping public. As I stated earlier today, Madame Chairwoman, we in Maryland are not afraid to compete. We welcome the challenges. We made that decision when we purchased BWI in 1972 and launched a $100 million capital improvement program, inaugurated aggressive sales and marketing initiatives to attract passengers and

freight, and commenced the process of air service development, introducing new carriers and flights to the marketplace. As this Subcommittee is well aware, portions of the BWI airfield and terminal expansion program were supported through the Federal aid to airports program, beginning with the 1970 Airport Development Aid Program, ADAP, and continuing with the present Airport Improvement Program, AIP. On balance, however, it is fair to say that BWI has achieved its status as a major air transportation facility the old fashioned way—we earned it—through hard work and prudent expenditure of funds. During the difficult period of terminal expansion and modernization, we enjoyed the support and cooperation of the carriers serving BWI, as well as the passengers and shippers convenienced by the use of Maryland's facility.

Maryland has worked just as hard to restore BWI's status as an international gateway. Again, Maryland demonstrated it was not afraid to compete. First, we worked to restore nonstop BWI London route authority, a bilateral right we lost in governement-to-government negotiations between the U.S. and the United Kingdom as part of the July 23, 1977 Bermuda II bilateral arrangement governing the provision of air service between our two countries. After nearly 3 years of diligent effort, Maryland convinced the U.S. negotiating team to secure from the British an opportunity for the U.S. to select BWI as a London gateway. This bilateral right was acheived by the U.S. as an element of the March 5, 1980 ad referendum amendment to the 1977 "Bermuda II" agreement. In the Civil Aeronautics Board carrier and gateway selection hearing, Maryland followed up this bilateral victory by winning one of the two gateway awards made in the *United States-London* case (1981). Less than two years later, with BWI-London service restored, BWI passed Dulles as the region's premier international airport, handling more total international passengers than the federal facility. With a growing schedule of services, including World Airways to London (Gatwick) and Frankfurt, flights by Air Jamaica and Icelandair, and new British Airways service to London (Heathrow), all complemented by a full range of international charter services, BWI is rapidly emerging as the international gateway to the entire Middle Atlantic region. BWI seems to be meeting the challenges of a competitive marketplace.

S. 1017, however, threatens to upset the competitive balance in several ways. First, the bill extends Airport Improvement Program funding eligibility to National and Dulles, while apparently permitting these airports to continue to engage in the practice of operational cross-subsidization, to the detriment of BWI. Permit me to briefly explain to the subcommittee this issue of cross-subsidization vis-a-vis National-Dulles operations.

Since 1966, landing fees at National and Dulles have been set at a common rate by pooling the total landed weight of carriers serving both airports. In addition to this single cash register approach to revenues, airfield costs were necessarily combined at National and Dulles as well. By treating National and Dulles as one revenue-cost center, landing fees at the more heavily utilized National, in effect, underwrite the fee structure at Dulles, thereby making Dulles a lower cost facility than it otherwise would be for carriers basing operations there. Simply stated, fees at Dulles are set below cost, with National's revenue stream making up the difference. In the particular case of foreign flag carriers, where BWI and Dulles typically find themselves in direct competition for services, subsidized fees at Dulles could potentially be enough to artificially tip the scales in favor of Dulles.

Recognizing that S. 1017 makes National and Dulles AIP eligible in lieu of the current practice of obtaining line item funding via the annual U.S. DOT appropriations bill, Maryland finds this cross-subsidization particularly burdensome. As a matter of public policy, we question whether this practice is appropriate, particularly in light of the sponsorship requirements set forth in Section 511 of the Airport and Airway Improvement Act of 1982, which includes a requirement that an airport operator or owner "maintain a fee and rental structure for the facilities and services being provided the airport users which will make the airport as self-sustaining as possible under the circumstances existing at that particular aiport * * *." (Sec. 511(a)(9).)

In similar fashion, Maryland finds the federal gift of highly attractive, undeveloped land at Dulles an inappropriate provision of S. 1017. This windfall to the new airports authority, conservatively estimated at 2,000 developable acres, could prove to be a lucrative magnet for both aviation and nonaviation related development at Dulles. With essentially no fixed costs, the new authority will be able to negotiate extremely attractive lease arrangements, and consider the widest possible range of joint-venture projects with potential developers. Assuming just 1,000 developable acres at Dulles, valued at approximately $100,000 per acre and a 10 percent lease

rate for a 20 year term, we conservatively estimate a potential income stream to the new authority in excess of $200 million.

Again, BWI is not afraid to compete. Having the federal government essentially give away an undeveloped area roughly two-thirds the size of BWI's entire 3,200-acre site, however, strikes us as an extreme test of fairness. Federal bequeathal of this land poses potentially adverse consequences for BWI, and Maryland's ability to compete effectively for new commercial enterprise and investment.

DISPOSITION OF THREE KEY ELEMENTS OF THE EXISTING FEDERAL REGULATORY SCHEME GOVERNING THE TWO AIRPORTS

Earlier in my testimony, Madame Chairwoman, I referenced the U.S. DOT's policy guiding future operations at National and Dulles, the Mrtopolitan Washington Airports Policy, and how BWI was considered in framing this policy statement. The Congress and a succession of Transportation Secretaries wrestled with the development of this comprehensive policy for many, many years. Drawing upon the work of Neil Goldschmidt and others, Drew Lewis crafted a delicate balance of competing interests in framing the December 16, 1981 policy statement which today guides National and Dulles, and my implication, BWI as well. As a result of these diligent efforts, we have in place today a regionally accepted operating policy. Regrettably, Madame Chairwoman, I must report to the subcommittee that S.1017 reduces this policy to nothing more than a hollow, infertile shell.

While the 1981 Drew Lewis policy statement contains no fewer than eleven interrelated policy elements, today I would like to focus on how S.1017 treats just three of these key policy provisions: (1) the annual National passenger ceiling (14 CFR 93.124); (2) the hourly slots provided National's air carriers (14 CFR 93.121); and (3) the 1,000 mile nonstop perimeter rule at National (14 CFR 159.60).

As the Subcommittee is well aware, the 1981 Lewis policy established a firm 16 million annual passenger ceiling at National, and created a mechanism to reduce air carrier operating slots to enforce this ceiling. With this mechanism in place, carriers at National were given adequate corporate planning lead time to devise schedules maximizing their use of National, while shifting overflow services to Dulles and BWI. Unfortunately, Madame Chairwoman, National failed to achieve the 16 million annual passenger level in the time frame envisioned by former Transportation Secretary Lewis, and National has yet to hit the cap and trigger the slot reduction mechanism.

One of the major reasons National's traffic growth failed to meet 1981 projections is causally related to the air traffic controllers' walkout, commencing on August 3, 1981. National, along with the nation's other large hub airports, was severely impacted by the PATCO strike and subsequent efforts to rebuild the air traffic control system. During this period, traffic at National and the nation's other 21 pacing airports was constrained by the FAA's flow control procedures. From a 15.1 million passenger figure in 1979, National slipped to 13.3 million total commercial passengers registered for calender year 1982. Not until 1983 would National recover its pre-PATCO strike traffic level of 14.5 million total passengers. By 1984, National's passenger traffic had grown to 14.7 million, still well below the 16 million ceiling established in 1981.

The trigger mechanism for reducing National's air carrier slots, therefore, has never been pulled, Madam Chairwoman. As a consequence, carriers serving National have had even more time than that envisioned by the Lewis policy to adjust their schedules. In a sense, the PATCO strike placed this region's airports in kind of an aviation time tunnel, as air traffic constraints placed on National, more severe and jarring than anything contained in the 1981 policy, began to focus new attention on Dulles and BWI as airports of service to greater Washington. Supporters of Dulles and BWI learned the truth of our convictions, Madam Chairwoman: Dulles and BWI stand ready, willing and able to meet the marketing needs of the air carriers, can satisfy the demands of passengers and shippers, and can be held out as legitimate alternatives to congested National Airport.

Under S.1017, however, the 16 million passenger ceiling, a generous figure not yet achieved by carriers serving National, is banished to the scrap heap of fallen public policy. S.1017 does not transfer the 16 million passenger ceiling regulation to the new authority. The trigger mechanism, designed to keep traffic below this 16 million level, is likewise rendered a nullity by S.1017. In fact, S.1017 explicitly prevents the new authority from reducing the number of hourly slots during the 35 year term of the yet-to-be-negotiated lease between the authority and the federal govern-

ment. Only the Congress will be able to consider reducing the number of operating slots at National, and S.1017 provides that such a reduction may only be considered for the purpose of enhancing aviation safety. If this constitutes local control over National and Dulles, well Madame Chairwoman, I think our founders would be surprised by this definition of the federal-state partnership.

With respect to the third and final regulation I wish to highlight in my testimony today, Maryland notes with interest that the limit on nonstop National flights, the so-called perimeter rule, apparently transfers with the two federal airports to the newly created airports authority. Unfortunately, Madam Chairwoman, what at first glance appears to be support by S.1017 for the 1981 Lewis policy may in fact be a meaningless and Pyrrhic victory for local interests. Permit me to briefly highlight for the subcommittee the administrative history of the perimeter rule, and establish why we believe the rule may not transfer to the new authority.

The perimeter rule, currently set at 1,000 statute miles, was initially established in 1966 by voluntary agreement among the carriers serving National. At the dawn of the commercial jet age, the newly created, cabinet-level Department of Transportation and its renamed Federal Aviation Agency, the present-day Federal Aviation Administration, were no doubt very anxious to control traffic growth at National, while concurrently encouraging carriers to inaugurate services at under-utilized Dulles. Dulles, of course, had opened just 4 years earlier in November 1962, and was specifically designed and constructed to handle jet operations, particularly longer-haul services.

The carriers therefore agreed to a 650 mile nonstop perimeter, with the exception of seven grandfather cities which enjoyed nonstop turboprop service as of December 1, 1965. This agreement was approved by Civil Aeronautics Board (CAB Order E–23743, 1966), and was set to expire on January 1, 1967. At the urging of the FAA, however, the carriers continued to voluntarily abide by the terms of the agreement until May 5, 1981, when American Airlines announced plans to commence nonstop service from National to their Dallas/Fort Worth [DFW] hub. DFW was not among the seven grandfathered cities, and is of course situated beyond the 650 mile nonstop perimeter, thereby requiring American to serve National-DFW on a one-stop basis. Following several interim, emergency, and other rulemaking activities initiated by the U.S. DOT, Congressional actions blocking implementation of the entire Metropolitan Washington Airports Policy, and extensive litigation in the courts, the U.S. DOT promulgated and implemented the uniform, 1,000 mile nonstop perimeter rule now in place at National Airport.

In reviewing this legislative, administrative and legal history behind the perimeter rule, Maryland is concerned that the new authority may not be able to enforce or modify the 1,000 mile perimeter, as contemplated by S. 1017. The decision of the Fifth Circuit of the United States Court of Appeals in *City of Houston* v. *FAA* (679 F.2d 1184, 1982) is an instructive guide in assessing whether the 1,000 mile perimeter rule transferred by S. 1017 to the new airports authority could in fact pass legal muster, if challenged in the courts.

In *City of Houston* v. *FAA*, the City of Houston and American Airlines sought a review of an emergency 650 mile perimeter rule promulgated by the FAA, as well as the final 1,000 mile perimeter rule. The Fifth Circuit, in upholding the FAA's actions in promulgating the perimeter rule, quickly dismissed the claim advanced by Houston that Section 105 of the Federal Aviation Act (P.L. 85–726; August 23, 1958, as amended), 49 U.S.C. Sec. 1305, bars the FAS from authoring and implementing such a regulatory action. Section 1305 provides that:

"* * * no State or political subdivision thereof and no interstate agency or other political agency of two or more States shall enact or enforce any law, rule, regulation, standard, or other provision having the force and effect of law relating to rates, routes, or services of any air carrier * * *".

As the Court found in *City of Houston*, however, the "FAA does not fit within that definition. Nothing could be more certain than that the restrictions of Sec. 1305 *do not bind the FAA*, an arm of the federal government which just happens to own two airports" (emphasis added). The Fifth Circuit decision goes on to reason that the Congress, in crafting the language of Section 1305, sought "to avoid interference with the preeminent authority of the federal government in the field of aviation." Indeed, the Congress has "reserved (an) extremely limited role . . . for airport proprietors in our system of aviation management" (*See: British Airways Board* v. *Port Authority of New York and New Jersey*, 564 F.2d 1002, 1010 (2nd Circuit, 1977)). The Court concludes that "Houston and American claim, in effect, that the FAA may not take certain actions" (as an airport proprietor) "for fear of interfering with itself" (in its capacity as national airspace regulator). "The argument", finds the Fifth Circuit, "reduces to tautological gibberish".

The Fifth Circuit decision, concluding that the FAA is simply not governed by the same rules as a local proprietor, states, that "(e)ven if proprietary interest cannot legitimate its decision, the Federal Aviation Act grants the FAA the power to impose a perimeter." In citing section 1348(a) of the Act, for example, the Court quickly moves from FAA's role as airport proprietor, focusing instead on the FAA's powers as the sole regulator of the nation's airspace, noting that the U.S. DOT Secretary is "authorized and directed to develop plans for and formulate policy with respect to the use of navigable airspace * * * in order to insure the safety of aircraft and the efficient utilization of such airspace."

Based on this reasoning, it would certainly appear that the new airports authority cannot stand in the Secretary of Transportation's national air space regulator shoes to enforce or modify the perimeter rule. The new authority must stand like any other airport operator on its proprietary powers. As we infer from the Court's holding in *City of Houston* and the meaning of Section 105 of the Federal Aviation Act, S. 1017, as introduced, may not enable this authority to make good on the operational promise of the perimeter rule. Maryland is therefore left to conclude that the 1,000 mile perimeter rule may not be transferable to a new regional airports authority, as contemplated by S. 1017.

After decades of public policy debate on the future role of Washington Natonal Airport, and having achieved a consensus among diverse interests, S. 1017 threatens to unravel not just the perimeter rule, but an entire, comprehensive, Metropolitan Washington Airports policy. And for what purpose?

We have in place today an effective Metropolitan Washington Airports Policy—an operating policy which all parties, including the Congress, have embraced after extensive debate. S. 1017 upsets that delicate balance. Maryland citizens, both as users of the three airports and as victims of National's excessive noise levels, will mourn the loss of this operating policy. I trust these hearings will explore this issue, and will provide answers to the other issues raised by Maryland's appearance today before the Aviation Subcommittee.

That concludes my prepared statement, Madame Chairwoman.

State Aviation Administration, Baltimore/Washington, International Airport, Statement of Investment 1972–1985

[In thousands of dollars]

Facility:	*Amount*
Airport purchase	$36,000
Other land purchase and sale (net)	619
Runway/taxiway/ramp improvements	23,819
Parking lots	6,356
Terminal expansion program (1976–79)	63,208
Pier D extension (1983)	17,871
Cargo building	6,195
General aviation complex	5,754
All other improvements (including construction-in-progress; excluding equipment)	9,954
Equipment	8,038
Total investment	[1] 177,814
Federal ADAP/AIP funds	28,129
State General funds	[2] 35,785
State MDOT trust funds	[3] 113,990
Total investment	[1] 177,814
State of Maryland funds invested (1985 dollars):	
State General funds	92,000
MDOT trust funds	172,000
Total	264,000

[1] Private capital investment not included.
[2] Equivalent to about $92 million in 1985 dollars.
[3] Equivalent to about $172 million in 1985 dollars.

Prepared by: SAA Finance Section, revised July 10, 1985.

Senator TRIBLE. Thank you, Governor Hughes.
Mayor Barry.

Mayor BARRY. Thank you, Mr. Chairman, and members of the committee. I appreciate the opportunity to appear before you today to testify in support of S. 1017. I, too, feel rather awkward in the sense that usually Governor Hughes and Governor Robb and myself are generally together on 99 percent of the issues affecting this region. Unfortunately, in this instance he is in the minority in the sense that Governor Robb and myself feel strongly about this issue, and we understand some of the concerns of the Maryland delegation, particularly our Governor and our Senator and our Representatives.

But I think when you look at the commission which was established a year ago by Hon. Elizabeth H. Dole, Secretary of Transportation, it was clear from the beginning that her charge to the commission was not to debate the question of whether or not the airports ought to be transferred, but how. So it was clear from the beginning that those of us who served on the commission had a specific charge, and that included Maryland and Virginia and the District of Columbia, along with myself, Ms. Betty Ann Kane who represented the Council of Governments, but she also represented the District's view on this matter, and we certainly had an outstanding chairperson in Governor Linwood Holton.

We debated all of these questions, we looked at all the issues. I think one of the things that has been missed here, and I think we have to rise above—and I understand why—rise above local parochial state interests in terms of BWI, is why are people using these airports, where are they coming to?

When you look at the data, you find that 40 percent of the passengers who come to National Airport are coming to Washington, DC, the District of Columbia, many times to see their Congressmen or their Senators, to do business here, to have conventions here and to do a number of other things. Over 17 million visitors come to our Nation's Capital.

Also, 16 percent of those passengers are going to someplace in Fairfax County, which means as you add the numbers up over 56 percent or so of those passengers arriving at National Airport are coming to Washington, DC or Fairfax County, and only a small number are going to the State of Maryland.

The same thing is true with Dulles, 23 percent of the passengers who arrive at Dulles Airport are coming to Washington, DC—and let me go back again. I am sorry. At National, it is 23 percent of those persons are going to Fairfax County as opposed to 16 percent. So that gives you a high number of 63 percent of all the passengers arriving at National Airport is either coming to Washington, DC, or Fairfax County.

As it affects Dulles Airport, 23 percent is coming to Washington, DC, and 16 percent to Fairfax County, again, almost a majority to those two jurisdictions alone.

And so I think as you look at who benefits and who does not benefit, certainly the District of Columbia and Virginia are the greatest beneficiaries of National and Dulles airport in terms of passenger destination. And certainly I have come into BWI myself coming to Washington. So I ought to be counted as coming from BWI coming into Washington from time to time.

But the issue of representation is awfully important. When I started out, it was my view that since the passenger count did not severely affect the State of Maryland, the State of Maryland really should not have representation at all on the commission as a process matter, and we came to some numbers, and we said maybe the District ought to have five and Virginia ought to have five, and the President ought to appoint the 11th number to give us equal representation.

But in the spirit of cooperation, and Governor Holton and I talked about it, I talked to several people from the State of Maryland about this—in a spirit of reasonable cooperation, we agreed to a three and two proposition, which certainly caused me some problems at our legislative body and to our constituents. They wanted to know why we would not have five and five since the majority of the people are coming either to northern Virginia or to Washington from National Airport and almost a majority from Dulles.

But we conceded that in an effort to bring the Maryland representation in.

It seems to me that if we are not going to get the support of the Senators or the Congresspeople from Maryland—we thought there would be a way of accommodating them—maybe we ought to go back to the five and five formula where the District would have five and Virginia would have five and the President would pick one. That seems to me fair and equitable in these political compromises, since that is what it was. We would still not get the support, not that Maryland has agreed to this compromise, but I thought it might help to get them to agree.

Since it does not appear that it did, maybe, Governor Hughes, we ought to go back to our five, five and one situation. Obviously this is of great importance to all of us, and we feel very strongly that the Federal Government should not be managing and running these two airports.

As you look at the Federal Government in the past, it has tried to get rid of operating a whole range of activities from mental health institutions, including St. Elizabeth's, which we have just taken the responsibility to manage after 1987, to medical hospitals, to clinics, and et cetera. So the Federal Government consistently has been getting out of the business of managing operations. It has been the funding source and the policy setting body for our national policies, and certainly the funding and the operation of international policies, et cetera. So it seems to me that in line with the Federal Government's getting out of things, including the District of Columbia's affairs, which they have done increasingly, we ought to support this legislation, rise above our parochial concerns, rise above who started it and why it is now what it is. I think that the authority amply protects the interests of the Congress, amply protects the interests of the U.S. Government, and amply protects the interests of all of us who use National and Dulles Airports.

I think it is a fair bill. It is not a perfect bill. And I would urge this committee, including some of my Democratic friends on the committee, to support this legislation. It is interesting that most of the leadership has come from a Republican Secretary of Transportation, from a Republican administration, two Republican Senators, two Republican Congresspeople from northern Virginia. Ordinarily

it would be just the reverse, it would be the Democrats that would ordinarily be in the leadership of this transfer, leadership of saying the Federal Government ought to be out of the business of managing and running everything.

I see Senator Hollings getting ready to——

Finally, we support this. We think it is good legislation, and I urge the subcommittee to pass it and the full Congress to pass it.

Senator TRIBLE. Thank you, Mayor Barry.

Congresswoman Byron.

Mrs. BYRON. Thank you, Mr. Chairman.

Let me first of all say that I am delighted to have an opportunity today to testify on this piece of legislation. It sort of seems to me that we have this on the fast track, so to speak.

Having been involved with the problems of noise and congestion at National Airport, I was delighted when Secretary Dole appointed a commission to draft some proposals for transferring both National and Dulles to a regional authority. Actually, I do not oppose local control. I think it is probably a much better idea for addressing the problems fairly.

With that in mind, I have followed closely the activity of the Holton Commission with a great deal of interest. I was pleased first of all that the process was taking place. I must admit, however, that I was very disappointed with the commission's final report. Because this bill implements the commission's recommendations, it reflects the shortcomings of that report.

As presently drafted, the bill removes the 16-million-annual-passenger cap which has not really been discussed today. We have spent a lot of time talking about the cost. I am concerned about the passenger cap. I find the provision to remove the cap unacceptable. I think at best Maryland will continue to endure the current high level of overflights, and I think probably what is much more likely to occur is an increase beyond the current number of flights which is a burden to those in a restricted corridor.

As you know, we went through a scatter plan in 1983 which addressed the noise problem. I am very concerned that, with a transfer of the airports, the noise will be increased.

I am also concerned, which has already been touched on today, about the makeup of the airport authority itself. I think the Holton Commission's recommendations that this bill establish the authority does not reflect the true regional metropolitan area that is served and affected by National Airport. I do not really mean to be talking more about National, but the problems that I have in my congressional district, which goes into Potomac area, are a direct result of the air traffic at National Airport.

I think frankly that without fair representation of all interested parties—and I would have to disagree with the mayor on that, I think Maryland is very much an interested party—that I think it is imperative that we have equal representation from all areas.

I certainly want to see National and Dulles operating effectively and profitably. I could not agree more with Senator Hollings that we need to upgrade those facilities. But I am also afraid that that will happen, if the transfer legislation is approved, at the expense of BWI. I think the Governor and Senator Sarbanes have covered that issue very well.

But I just wanted to reiterate that I am certain that the airport authority is going to attempt to manage the best interests of the metropolitan DC area. But to do so, I think will require the authority to make decisions among competing points of view.

I want to be assured that the concerns of my constituents living along the Potomac River are going to be taken into consideration by whoever is managing and operating the two airports.

Let me be clear in saying that the proposed transfer to a regional authority I have no objection to. But I do feel strongly that that authority must represent all the varied interests in the Metropolitan Washington area. I think Governor Hughes' and Senator Sarbanes' plan has a great deal of merit. I am really confident that if we do not put this legislation on the fast track, and work together, we can arrive at an equitable solution. I think it is an issue that has to be resolved, but I think it has to be resolved with the understanding that all parties involved are going to be represented.

Senator TRIBLE. Ms. Byron, what program do you advocate for transferring the authority to local management?

Mrs. BYRON. Well, I might be very interested in the proposal of Governor Hughes and Senator Sarbanes—just because they happen to be Marylanders has nothing to do with my interest in that proposal, but it sounds to me like a very good solution whereby the metropolitan governments would have a regional authority with National, and Virginia alone would have the wonderful opportunity to develop Dulles to its utmost capacity.

Senator TRIBLE. Let me ask the Governor a question, and this would apply to both Senator Sarbanes and to Congresswoman Byron as well.

Senator Hollings has set forth a proposal that in lieu of this legislation, that the Congress appropriate or expend $250 million for upgrading the facilities at Washington National and Washington Dulles from the Airport Improvement Program.

I would like to know on the record today whether you would support that allocation of funds and whether you would actively advance that proposal in the Congress.

Governor HUGHES. First, let me say that I can understand Senator Holling's concern about this being unique in that it is the Nation's Capital and these are the Nation's Capital airports. It is somewhat similar to what we thought about BWI when we bought it from the city of Baltimore. We felt it was in the public interest, of interest to all Marylanders, to have a good, adequate airport, and it would help Baltimore City and the State at large, and we were willing to invest and promote that airport over the years.

Our preference has been what I have described, but as an alternative to this bill, I would certainly support what Senator Hollings is proposing, improvements to Dulles and National. I do not know anything about the figure $250 million. I will accept that. But I would certainly accept that concept as an alternative to the bill you have before you.

Senator TRIBLE. Senator Sarbanes.

Senator SARBANES. Well, Mr. Chairman, as I indicated to you when we went over to the floor, I would be prepared to consider that, particularly in the context of working out a rational arrangement for these airports. I think the bill before you, S. 1017, is not a

rational response, and that is one of the reasons we have mounted this strong criticism of it.

Now, I want to make it very clear, the commission that Secretary Dole set up never had the opportunity to examine this issue. That issue was ruled off the premises by the charge to the commission which was told that the only thing it was to look at was—that the question of transfer had been decided, and the only question to look at was to whom to transfer.

Now, you have the commission's proposal. The alternative report to the commission suggested that we take National, set up a multijurisdictional authority for that involving equally the three jurisdictions and the possibility of a Federal involvement if you chose to do that—there is, of course, a Federal involvement, particularly in the operation of National—and that Dulles then would go to Virginia, for Virginia to develop as a long-range international airport, and for other purposes, air purposes, the way that Maryland has developed BWI.

That would, amongst other things, in terms of working out a rational arrangement, sever the connection between National and Dulles, which can be used in many ways to promote unfair competition. In other words, what you do, as the Governor pointed out, you do not have that elsewhere. You can have one airport subsidizing the other, just financially. You can have an authority that controls both airports using the access accorded to carriers at one airport, contingent or dependent upon carrier action at the other airport.

Now, National is a very highly sought after access, with limited opportunities if you are going to address the safety and the noise problem, although this legislation removes the cap, but nevertheless, even so, there are limited opportunities. And so those are limited, and highly desirable, and an authority controlling both airports is in a position to use that access in its dealing with the carriers and therefore raises the possibility of an unfair competitive situation.

Senator TRIBLE. I think the answer to the question posed was "maybe."

Congresswoman Byron, will you vote for that appropriation?

Ms. BYRON. As I said, I would like to look at other alternatives and other options. As we have seen this morning, I think there are other options, and I think there are alternatives that can be worked out.

As I said earlier, I am not at all happy with the bill as currently before your committee. I have a great deal of reservations with it. If the involvement of the proposed expenditure is to upgrade these airports, then I think that is where we have to make the distinction. Are we dealing with both airports, or are we are dealing with a single airport. That to me is the critical issue here.

Senator TRIBLE. Let the record reflect that the one nonvoting Member of the Maryland delegation has answered aye, and the other two Members who cast votes in the Congress have suggested at most maybe, that they would take the matter under advisement. I think that suggests the kind of future the proposition would have on the floor of the House and the Senate.

Governor HUGHES. Mr. Chairman, it is easy to vote aye when you do not have a vote.

Senator TRIBLE. I understand. That is my point.

Mayor BARRY. May I make a point very quickly? That is, when we started this process, the Representative from the State of Virginia argued very strongly that these two airports were in Virginia, in the jurisdiction of the State of Virginia in terms of their boundaries, that the State of Virginia ought to have sole control of both airports as a starting point with them. But look how far we have come with them in terms of first of all their agreeing to a regional agreement, and also sharing these decisions with the District and Maryland, and also agreeing that it would take seven Members to vote for the budget, and for any bonds, et cetera, again effectively not allowing Virginia to exclusively control the commission.

So I think everybody has made great strides to come this far, and I would just urge the Representatives from Maryland to make the same kind of strides to come as far as we have come, and again, this was a compromise bill that everybody gave something to, but some gave more than others and some less, and I do not think that point has been made here enough yet, that Virginia really went a long way to try to accommodate the region in this approach.

Part of it was a political consideration, but also there was one of just trying to get this cooperation going.

Senator TRIBLE. Thank you, Mayor Barry.

Governor Hughes, the matter of the Maryland investment in BWI is something that ought to be considered.

Can you detail more precisely the level of funding of the component parts and where those dollars came from? In the public press——

Governor HUGHES. Maybe in general terms I can.

Senator TRIBLE. And then perhaps furnish for the record a more detailed exposition.

Governor HUGHES. The original purchase price of $36 million, as I stated in my testimony, came from Maryland general obligation bonds. Then, after the State owned the airport, we started an improvement program, and it was funded with the backing of the Maryland transportation fund, which is supported by gasoline taxes and titling taxes, and it is a flexible transportation fund that we can use for any transportation purposes.

Senator TRIBLE. That includes activities, if I may interrupt, beyond aviation, does it not?

Governor HUGHES. The transportation fund?

Senator TRIBLE. Yes.

Governor HUGHES. Yes.

Senator TRIBLE. Highways and all kinds of——

Governor HUGHES. Port facilities, aviation, yes. It is a flexible fund.

Senator TRIBLE. I see.

Governor HUGHES. There were long-term agreements entered into with the airlines, 18- or 19-year agreements, on landing fees that gave us the assurance of having the financing there over the years, and there were some Federal funds. I think they would represent a small portion of the total investment there. The Federal

funds are limited to the air side of the facility, aprons, and runways, and things of that nature. I cannot give you the exact amount of those, but there were some Federal funds, but they were a small portion of the total.

Senator TRIBLE. If you could submit that for the record to complete our proceedings, I would appreciate that, and I think your answer does demonstrate that Maryland has benefited quite properly from cross-subsidizing that you expressed concern about on the part of the airports in Virginia, and you have done an expert job.

Governor HUGHES. I do not know that I agree with that, Mr. Chairman, when you say cross-subsidizing. What do you mean?

Senator TRIBLE. The fact that you are taking moneys from many sources to support the airport, and they are not limited just to those dollars that are generated from the air traffic there.

Governor HUGHES. Yes; we are. The one source, though, are Marylanders.

Senator TRIBLE. Now, the purchase of the airport, is that a serious proposal, the purchase of the airport?

Governor HUGHES. I imagine it might be somewhat impractical, Mr. Chairman, but I would tell you right here today that if the Federal Government offered to sell us that airport, both airports, for $94 million and we had 35 years in which to pay it, we will sign a deal this afternoon.

Senator TRIBLE. Just do not write the check on a Maryland savings and loan.

Senator FORD. I might say, Mr. Chairman, with that remark, the way Governor Hughes has handled that situation up there, he is to be complimented and not fussed at.

Senator TRIBLE. I was not fussing. I said it with a broad smile on my face, and he took it in the way that it was offered.

Governor HUGHES. I started to say we would not write a check on the Bank of Virginia either, but I did not say that.

Senator TRIBLE. All right. Senator Exon.

Senator EXON. Let me return if I might to what I asked at the start of these hearings this morning of each one of the panel members. It was addressed to some extent by each of you, and I noticed that Mayor Barry dwelled on it a little bit. He does not seem quite as hung up as other people are on the makeup of the Commission and any changes that might come about.

If I were looking at this—as I look at this from the standpoint of Maryland, I would just guess that a Commission of 11 people with only two from Maryland, I might think that is not very favorable representation. It seems almost as outlandish to me as does the proposal that Maryland might want to buy airports in Virginia. If it is a good business interest, Nebraska might want to look at this. We may want to make an offer from Nebraska if it is a good business interest.

But speaking seriously, let me ask each one of you, is there any way that we can begin to bring about some kind of a compromise by, not for reason of holding up the bill, but to make some significant changes in the makeup of that Commission to make it more equitable, and possibly to give the Congress some control over this?

Would there be any objection from your standpoint as Governor of Maryland, Governor Hughes, to have all of the members of the

Commission confirmed by the Senate rather than as spelled out in the bill just the one member of the Commission appointed by the President.

Now, I recognize as a former chief executive myself you might take exception to the fact that you make a Commission representing Maryland and the U.S. Senate would have the right to say yes or no, but what I am talking about is let's set aside for the moment, if we can, the disagreement in some circles about whether or not the Federal Government would be giving away the store, so to speak, with the proposal that is before us. Coming back to what I think is the crux of the issue, who would control this and how, what do you have to say, each member testifying before us right now, what do you say about maybe some fair arrangement with regard to a split on the Commission and if you would object to Senate confirmation of all rather than just the one as embodied in this bill.

Governor HUGHES. I think I have to preface that by saying that we do not mean to be obstructionists, Mr. Chairman, but we do have a responsibility to the citizens of Maryland who have made a tremendous investment. They did that in the face of having Dulles Airport where it is, to see if Baltimore went out and built Friendship Airport before Dulles was ever built, and with the expectation of taking the overflow from National, and then the Federal Government goes out and builds Dulles, and Friendship is already going down, down, down. The State bought it, put a big investment in it and has turned it around. We worked hard, and I would agree that this entire area, Maryland, Virginia, and the District of Columbia, can support three airports. But we do not think it is fair to put one at a disadvantage of others where there has been such an effort and such an investment. So we have to protect that

Now, getting to your question, Senator, first, I think I would have some problems with the Senate confirming or rejecting appointments made by the Governor.

Senator EXON. I anticipated that.

Governor HUGHES. I will not be there much longer, but second, I get back to the two issues. Certainly we would be willing to talk about a different representation on this authority, and by that I mean we feel Maryland should have greater representation than what is proposed, and also we feel that there should be a fair price paid by the authority for this property.

When someone says that, you know, the user should not pay for it twice, that is like saying that, OK, I pay my mortgage off and my property is not worth anything. The $47 million is the accumulated deficit, as I understand it, over the years. We think it should be a fair price, just as Maryland paid a fair price for its property. I do not know of any other instance where the Federal Government has in effect, here is a piece of property, take it, and it is——

Senator EXON. How about Conrail?

Governor HUGHES. There is a problem there, too, but these are not losers. National and Dulles are not losers. We have heard the testimony this morning. They are picking up in business. Dulles is picking up, needs a new terminal. They are not losers. They have turned the corner. It was a loser for a long while, but no more and will not be in the future.

So a fair price is also an issue with us.

Ms. BYRON. We have a vote over on the floor of the House, if you would excuse me.

Senator TRIBLE. Thank you for being here.

Senator SARBANES. I would say very quickly in answer to that question that in addition to the problem the Governor set out about the Senate confirmation of gubernatorial appointments, if the members are still drawn on the current basis in terms of the jurisdiction from which they must come, even if you add Senate confirmation on top of it, you still have an unbalanced——

Senator EXON. That was not the thrust of my question. Let's assume, which probably can never come to pass, that we could have Maryland and Virginia say yes, they both say that is fair, then would you object to Senate confirmation?

Senator SARBANES. Well, I think you would have a problem, depending on how much the Governors of the States are going to be involved in this; I think the basic point of departure on the Holton Commission report that I took within the commission is I do not agree that National and Dulles should be linked. I do not see the rationale for that other than the fact that currently the FAA is operating both of them. But if you look at the respective situations of those two airports and think about it in a rational way, it seems to me what it cries out for is handling National as an airport right here virtually in the District of Columbia. I mean, technically it is in Virginia, but for all intents and purposes it is "a District of Columbia airport" with Virginia and Maryland heavy users of it, and that ought to be treated as one situation to address and a separate situation, not linked, given its location and its purpose, would be Dulles, which would then be given a position comparable to the position that BWI has.

Now, that is why the alternative report suggests a multijurisdictional commission for National, and Dulles going to the State of Virginia comparable to the same situation of BWI in the hands of the State of Maryland. And that would give you, it seems to me, a rational, balanced arrangement for the three airports in the national capital area.

And then that more easily addresses these questions of membership on the commission. I mean, if you are only addressing the membership of National, it is pretty easy, really, because it cries out for equal representation. If anything, the District would have a somewhat higher claim, but it is truly in that sense an airport used by the three jurisdictions.

That is the basic parting point with the Holton Commission recommendation, in my judgment as I sat on the commission, and I think that would have been a better proposal. That would have gotten the Federal Government out of the airport business. You could have addressed the figure to be put on these airports separately, one to the commission, one to the State of Virginia. I mean, I think you ought to pay a reasonable price, but I am not out to extract the last penny. There is the question of improved service which benefits all of the area, Marylanders, Virginians, District of Columbia, and people from all across the country.

And there is the question of development at the airport, which is a reasonable question to address as well.

Mayor BARRY. Let me speak to the question of confirmation. I think most of us would not be supportive of that, but let me point out, though, there were some of us who had proposed on the Holton Commission that there be a regional authority that would include BWI, Dulles, and National, and this approach was rejected almost unequivocally by the State of Maryland. Again, these airports support the region, both Maryland, Virginia and the District, and we proposed a regional authority for all three.

Now, if people want to be flexible and want to look at this in terms of the benefits that accrue to all three jurisdictions, the ideal approach would be for BWI, National, and Dulles to be regionally controlled by a regional authority, but Maryland has rejected that approach, which seems to me to be rather inconsistent with——

Governor HUGHES. Well, might I respond to that?

We had not rejected that out of hand. If we are talking about an authority for three airports with equal representation, and we are also talking about returning to Marylanders their investment in BWI—I mean, the Federal Government may be able to give away Dulles and National, but we cannot afford in Maryland to give away BWI. Then we might sit down and talk.

Senator SARBANES. That proposal surfaced before the commission, and the problem with it is that the Federal Government did not want to lay out any money, the same point that Senator Hollings has been making about their willingness to upgrade the airports and in fact to expend the $7½ billion that is sitting in the airport trust fund.

Now, that was touched on. If you want to put all three airports in the same commission with equal representation and fully recompense Maryland for the investment that it has made, that is a proposal that is worth looking at. That might provide a way of addressing this airport situation. But no one was willing to pick up on that proposition which seems to me to be an eminently fair one, and from the Maryland point of view, the very minimum position that we could take.

Mayor BARRY. Senator, let me say that in that proposal we were also suggesting that the authority would, through bonding, compensate the State of Maryland at whatever price was agreeable. So there was money on the table for such a proposal. But again, even with that direction of the bonding authority, the State of Maryland rejected that proposal. I do not think it was just money that was a factor there.

Senator EXON. Gentlemen, thank you.

Senator TRIBLE. Senator Inouye.

Senator INOUYE. Thank you, Mr. Chairman.

I am intrigued by your alternatiave plan where you have National under the authority of a tripartite commission and Dulles being sold to Virginia.

In the transfer of National to the tripartite commission, the provisions of this law would be applicable, of this bill?

What would be the sale price?

Senator SARBANES. Well, Senator Inouye, I think you would have to work that out. You would have to give some careful thought to it. In any transfer, I think there are important provisions for the work force at these airports that must be protected, and I think

that should clearly be kept in mind. You have people who have made an important investment of their working lives in these airports, and I think they need to be assured that their interests are going to be protected. But the costs at which the transfers would be made is something that would have to be very carefully addressed.

I took the position in the commission that I regarded the arrangement, the structure, as the most important issue. I was not for the Federal Government to sort of get every last penny out of this thing, out of the jurisdiction, either out of Virginia on Dulles or out of the three jurisdictions on National, although the terms obviously ought to be I think more reasonable than the ones that are contained in this bill.

But if the structure was right, then you would have the opportunity for improving airport service generally through the area in a fair and balanced way, and I think that is an important objective in the overall perspective, not just for the jurisdiction, but for the entire country.

Senator INOUYE. Then your proposal is based on the rationale that National Airport is an airport of national significance and Dulles is a Virginia airport and BWI is a Maryland airport?

Senator SARBANES. Well, and that Virginia at Dulles and Maryland at BWI, through their own competition and their own desire to develop the facility, can meet the national needs that are associated with those two airports.

Senator INOUYE. Under your proposal, would Maryland be reimbursed for investments made?

Senator SARBANES. No, not if you dealt only with moving National to a multijurisdictional authority and Dulles to Virginia, no. Maryland would continue to operate BWI as it has on its current terms, and Virginia would assume that responsibility for Dulles.

Senator INOUYE. And you have no idea as to what the selling price would be?

Governor HUGHES. I would think one thing that would enter into that, Senator, would be if the Federal Government were going to turn National over to an authority, they would want to determine what was needed there in the way of improvements, how much was it going to cost, and a commitment out of that authority to make those improvements. And I think that assuming that financial burden should be a factor to be considered in what a transfer price might be.

National is making money, obviously, but I think that there has been testimony that there are improvements needed, and the obligation to do that would have to be a consideration I think in determining a price.

Senator INOUYE. Thank you very much.

Senator TRIBLE. Let me inject if I might for the sake of the record, Senator Inouye, that the Holton commission thoroughly considered this alternative and found it wanting for several reasons. First of all, it was the judgment of the commission that operational effectiveness, promotion, economic development, service to travelers, all argued for the coordination of a single management. Moreover, the financial analysis on which the Holton commission report is based shows that separating these two airports would require a substantially higher landing fee and terminal rental at

Dulles, and that is fine from the standpoint of the folks in Maryland. That gives an even greater advantage to BWI, but it is not so good from the standpoint of those people that are using that Washington Dulles facility. They would have to pay more. And so there are many competing interests here, as we can see.

Our friends in Maryland are obviously concerned about the viability of their airport, the competitive advantage it now enjoys, whereas Senator Hollings and others argue from a different perspective, and our task is to try to reconcile those interests if we can. But this is not a proposal of first impression. It rather was one that was seriously considered by the commission and found wanting.

Now, obviously there are many more than two sides to that question, and Governor Hughes and Senator Sarbanes have put forward their arguments to the contrary.

Senator INOUYE. Mr. Chairman, it may be true that the user fees may be higher at Dulles than at BWI, but there is another element not brought up in the discussions. The Federal Government is spending millions of dollars building a transportation system from the District of Columbia to Dulles which undoubtedly will help the business at Dulles, and if I were a negotiator for Maryland, I would put that on the table also.

Senator SARBANES. Well, we have tried to do that, and I want to correct one point in the record. The landing fees at Dulles are lower today than the landing fees at BWI. Now, it is quite correct, in its analysis the commission said if you separated them out, National and Dulles, that the landing fees at Dulles would have to go up. They are below BWI today because they are being subsidized by National Airport. So the competition between BWI and Dulles, which are the two airports that occupy a comparable posture, is not on a fair and equitable basis because Dulles is receiving this cross-subsidy from National Airport, and their landing fees today at Dulles are less, less than the landing fees at BWI.

Senator INOUYE. Do the Metro plans call for transportation run from BWI to the District of Columbia?

Governor HUGHES. The rapid rail Metro? No.

Mayor BARRY. And it does not contemplate running from the District to Dulles, either.

Governor HUGHES. You mean running from——

Senator INOUYE. Right now we have plans to run a fast rail train from Dulles to the District.

Is there a comparable proposal from the District to your airport?

Governor HUGHES. No.

Senator TRIBLE. There are no plans for Metro to run from the District of Columbia to Dulles. That is not the case, and I would suggest that both airports have benefitted substantially from Federal expenditures. There are interstate highways that run very close to these two airports, and there are substantial moneys that come from many sources, Federal and non-Federal alike.

Senator Ford, do you have a question?

Senator FORD. Mayor Barry, what is wrong with Maryland's proposal?

Mayor BARRY. Which one?

Senator FORD. The last one. That Dulles goes to Virginia and that they have a commission operating National.

Mayor BARRY. Well, again, that was a proposal, Senator Ford, that was considered by the commission. Obviously, the District of Columbia is at a disadvantage in some of these discussions, particularly as it relates to the Congress in being able to have a voting representation to represent our interests. And more importantly, at Dulles, again, Dulles is not there just to serve primarily Virginians. Twenty-three percent of all the passengers who come to Dulles come to the District of Columbia, and I think it would be unfair for the State of Virginia to only control and operate that airport.

When you look at BWI and you look at the numbers—we do not have them—but about 6 percent of the passengers who come into BWI end up in the District of Columbia, so it is primarily an airport that serves the State of Maryland, a transfer airport for international passengers, and Baltimore and other places, whereas Dulles, not only National Airport, but 23 percent of the passengers who land there, whether they are foreign visitors or domestic persons, comes to the District.

And again, it would be unfair. Already, for instance, at Dulles and at National, the State of Virginia collects sales taxes from those persons who may stop and purchase items on the way to the District of Columbia. We are not getting one penny of that. So we are already at an unfair disadvantage, and I do not think we ought to add to the disadvantage any more.

Senator FORD. It is awfully hard to stop between Dulles and the District and National and the District to buy an ice cream cone.

Mayor BARRY. But you stop in the airport itself and buy food.

Senator FORD. Not very often.

Mayor BARRY. Most people do. They have a viable business there. So it would be unfair for Virginia to operate the airport by itself in terms of the passenger destinations.

Senator FORD. Well, I think one thing we are losing sight of here is that we are losing competition. If you let Dulles and Virginia go in competition with BWI and Maryland, then the consumer is going to be better off because the people who are coming to Washington are not coming to see you. They are coming to see us or the city or to vacation here. So when you get right down to it, the people of this country come here. Both are international airports. Both are important to the area. And we are getting into a squabble, and you are not going to get anything done, as I see it. And you admitted, Mayor, earlier that Maryland was treated unfairly, and that you insisted or you gave up. Now you want your five back instead of three. But that you felt like Maryland was treated unfairly. That was an admission I got from your testimony earlier. Therefore, you wanted to give them a token instead of leaving them out completely, zilch.

Am I right in my concept of what you said, that Maryland was treated unfairly?

Mayor BARRY. I respectfully disagree, Senator Ford, that that is what the thrust of my statement was. I indicated when you take ridership and passenger designation as a factor as to who ought to have what interest in what, let me just say, to make something very clear, I support the regional concept. I support the operation

and viability of all three airports, BWI, National and Dulles. There is no question about the viability and how they ought to serve our region for both Maryland, Virginia, and the District, so that we are very clear on that. We differ on how best to do that in this instance.

But what I indicated is that even though the ridership numbers do not indicate that Maryland ought to have the kind of representation that we are proposing, we wanted to do that as a way of trying to promote regional cooperation. The State of Virginia obviously has a great interest, and the State of Maryland and the District of Columbia in this. And that five and five I indicated that we started out with the view that the District will—we started out another way. We started out with an idea that all three jurisdictions ought to have equal representation on the commission. There was major opposition from a number of quarters in that area, and as politicians and as other people trying to bring about compromises, the form that finally evolved was five, three and two—not because of any unfairness but because we wanted to try to keep that regional movement together. And it is true that what an authority at National and Dulles would do may have some impact on BWI, and Maryland ought to be there to look after its interest, and rightly so.

On the other hand, if you are talking about representation, out of the 11 the District only has three, so we are almost as bad off in terms of representation as Maryland people. We are happy with that proposal as it is now, because it was a compromise, not because of the way I started. I started with Governor Holton with six and five, six for the District and five for whoever was left. That did not get very far.

Senator FORD. But, Mayor, you indicated you were a politician, and a politican never gives up the majority. So if you and Virginia are together, you have the majority, and it does not make any difference what happens. So I see that the majority is there regardless of what it might be called a rose by another name. So the majority is already there. The majority is set between the District and Virginia, and Maryland can scream all it wants to. If you have got the votes, you just sit there and let them scream and then vote, and they are out. So about all they are going to do is have some people come in and try to defend their interests, and they are going to be outvoted almost 2 to 1.

Mayor BARRY. It is not automatic that we will vote together on this.

Senator FORD. I do not see how you can vote together when you already have a majority.

Mayor BARRY. That the District would vote with Virginia on every point. I think in a lot of instances we have found the issues affecting Maryland, and the District, and Virginia, we find ourselves more in tune with some of those issues affecting Maryland than we have not. There may be some instances where Maryland and Virginia would outvote the District, and we are just sitting there.

Senator FORD. Well, you have 5 and 5 and 1 now. It will be 5, 3, 2, and 1, so Virginia and the 1 will outvote you 6 to 5. So I look at the numbers—a lot of us count around here, and we understand

where the numbers come from. I am beginning to feel—and I do not know what the price would be—that the proposal of Dulles becoming a Virginia international airport in competition with Maryland's international airport, and all of us who are involved—Maryland, District, and Virginia—then would have a commission that would oversee National. It all gets down to the proposal of what is fair, No. 1, and how much money is involved. And competition becomes very important to the consumer, and the consumer is going to be the one, and the constituency is going to be on that is going to benefit or not benefit by this. The only way you can offset the loss to the National Treasury of nontaxable bonds is competition. So that the consumer will be able to get a ticket somewhat less maybe with this competition to offset the $250 million which will be lost to the Treasury by the loss of industrial revenue bonds.

Now, I am beginning to feel that a different proposal is warranted or at least we should try to have a compromise here. I basically started out, I thought, liking the proposal as it was. I am beginning to get a different feel, and that is the reason we have hearings, and that is the reason we have oversight. I think Virginia would be the winner in this if Dulles went to the Commonwealth of Virginia. And then those entities that have the most interest in National, which is by far the biggest, and National will stop subsidizing Dulles, and maybe we can get some competition going out there. Then we can take the profit that comes from National and begin to put that money back in. And come on with your parking facilities, come on with your renovations that are necessary.

It is beginning to make a great deal of sense to me. And I think the Metrorail goes out to National, just some way to get to it, you know, just get from carrying all that luggage over there trying to get on the Metro I think would be vitally important. Just zero in on that.

People are very pleased and excited when they get on the subway here. They have a different view of it and a different image. When we get on it, it is clean, it is fast, it is efficient, and they like it. But when you get to National, you cannot get to it. A lot of things could be done by a commission as it relates to National where you have almost 15 million passengers, and the other two combined do not equal hardly the passengers at National.

So I think you would be well or do well to—you still would not get your tax that comes in from Dulles, you know, and if National is the District's airport, it would be well, I think, for you to take that under serious consideration.

Mr. Chairman, I do not want to get into this. I think I said in the beginning we find colleagues against colleagues here. We find friends over the years as Governors who are against each other. We find ourselves having to take sides between Maryland and Virginia. I would hope that we could find a solution now, even though the commission has done everything that you say it could do, and every proposal has been on the table. But I do not believe that the political decision has been made yet, and that is where it is going to be made. I hope that we can lean a little toward the Maryland procedure. Virginia benefits from it, Maryland would be greater satisfied, and then the District would have a major portion of all the air transportation, air passengers that come into this communi-

ty. Instead of being a 2-percent increase over the last 4 years or 5 years, it might have a 20-percent increase if we make the right kind of airport and do the right kind of job at National.

Thank you, Mr. Chairman.

Senator TRIBLE. Thank you, Senator.

Gentlemen, we thank you for your patience and for your testimony.

The Honorable David Clark, chairman of the D.C. City Council, and Betty Ann Kane, distinguished member of the City Council of the District of Columbia.

Mr. Clark, Ms. Kane, we are most grateful for your testimony today.

STATEMENTS OF DAVID CLARK, CHAIRMAN; AND BETTY ANN KANE, MEMBER, D.C. CITY COUNCIL

Mr. CLARK. Thank you very much.

We welcome the opportunity to support what is before you as S. 1017 and the creation of a Metropolitan Washington Airports Authority.

I have not taken a poll of my colleagues and usually forgo predictions, but I think I can safely say that in light of the passage of the Virginia statute and the current provisions of S. 1017, there would be sufficient support on the council to enact the legislation before it.

As I see it, the District of Columbia citizens have four interests in the area of the two airports: Access, economy, environment, and most of all safety. Like other concerns regarding other issues, these do not always work in harmony with one another, and what may be important to one citizen may be inconsistent with the priorities of another citizen.

However, it is for the resolution of such difficulty that democracies are created and empowered, and it would certainly be more democratic to have such questions resolved by a local authority than by the Federal Government.

The balance between these concerns is certainly evident in the local discussions which address access, economy, and environment. However, S. 1017 would seem to adequately empower the authority to address these matters, particularly if the second proviso of section 704(a)(4) regarding nighttime limitations is deleted, as I understand it may be. However, the issue of safety is not one which can easily be bounced against the others. It does not readily present itself every time a plane flies overhead or when one is late and has to get to the airport and time. It usually presents itself when it is too late to consider it and the lives of those affected, but occasionally it presents itself at other times as well.

One such time that presented itself was when I was chairperson of the Public Safety Policy Committee of the Metropolitan Washington Council of Governments. In March 1981 my committee was called on to examine the safety of Washington National Airport. I found serious problems, including the tortuous approach paths from the north, marginal safety in approaches to the north conducted in crosswinds and tailwinds encountered during inclement weather, inadequate overruns, inadequate marine crash rescue re-

sources, marginally safe runway lengths during adverse weather conditions, and limited access to and egress from the airport for emergency equipment during rush hours.

Little was immediately done about those factors, and some played a role in the Air Florida crash on January 13, 1982. Since that accident the overruns have been extended, and marine crash rescue resources have been increased.

The creation of a Metropolitan Washington Airports Authority offers another opportunity to reflect upon safety outside the emotionalized context of the aftermath of some unfortunate incident, and the opportunity to address some of those conditions provides incentive to support the establishment and to participate in the operation of the airports authority.

S. 1017 contains a number of restrictions upon the FAA and the authority. One of them, which freezes the high density rule at 37 commercial IFR operations per hour, does allow amendments on grounds of safety.

I urge the Congress to place no further restrictions upon the abilities of the authority than are already proposed in S. 1017, and I particularly ask the Congress to place no further restrictions upon any ability to respond to concerns of safety. Please leave to the jurisdictions affected the ability to respond to these crucial needs of their residents and their visitors.

I look forward to the passage of S. 1017 in that spirit.

Ms. Kane, who is a representative on the commission, has joined me at the witness table.

Ms. KANE. Thank you very much, Senator Trible. It is a great pleasure to be here with the chairman of our city council to support this legislation.

Chairman Clark has taken leadership in this area in the region and concerned about the safety issues for National Airport. And as a member of the Holton Commission—I was appointed there by the council of governments—and as a respresentative of the District of Columbia, I support the legislation that is before the Senate for the reasons that the mayor has indicated and for a number of other reasons I think that perhaps need to be emphasized again on the record.

We have heard a lot of discussion here this morning, a lot of questioning about whether the commission as the airports authority is set up would result in a Maryland versus the District of Columbia versus Virginia kind of contention or situation, about whether or not the legislation that is before us represents some sort of division in the region.

I think one of the things that gets overlooked, and it is one of the reasons I am glad to testify as a local government official, is that when it comes to our constituents, because of concerns, the kinds of desires that constituents have for National and for Dulles are the same, whether those constituents are from the Maryland area, from the District of Columbia, or from Virginia. The concerns the constituents raise about noise, about safety, about transportation, about number of flights are not different; and I do not see that the structure that has been put together as a result of the compromises of the Holton Commission is a structure that is going to result in dissension. It is a structure that I think will bring us all together

to serve in a common way the needs of all of our constituents from this region, as well as the needs of all of the travelers from the Nation.

I also want to address the issue of what the District of Columbia's interests are in having the two airports remain together rather than having them split up, as was initially suggested to the Holton Commission by the Maryland delegation.

In addition to the economic analysis that was done for the commission by Wheat First and by Salomon Bros., which showed that the economic viability of the enterprise would be enhanced by keeping the two airports together. There is a serious concern on the part of the District of Columbia that both the orientation, the promotion, and the transportation systems of Dulles continue to be somewhat oriented toward the District as well as toward northern Virginia, in the same way that we would like to see that happen with BWI.

We are the Nation's capital. We are the major destination, and we would like to see that airport continue to develop for economic reasons.

In addition, as Chairman Clark has indicated, there are serious safety concerns. The thought of National Airport growing by 20 percent is not only horrifying, I think, to District of Columbia residents, as well as Maryland and Virginia residents, but it is an utter physical impossibility and an utter safety impossibility. And it was the very strong feeling of the representation from the District that without keeping the two airports together, the ability to manage safety problems, the ability to manage noise problems, and the ability to manage service problems would be very greatly diminished.

National is a boxed in airport. It cannot grow. It cannot accommodate any more. And Dulles needs to be there, as well as BWI needs to be there to be an outlet to take the overflow. And a board that is in charge of both airports we think would be the best and responsive and accountable way to local constituencies to see that those kinds of things happen. Thank you.

Senator TRIBLE. It has been a long day for all of us, so I will not burden you with questions. But I thank you for being here, and I think the testimony that you have both offered is important in addressing some of the concerns raised earlier today and in sharing the perspective of the District of Columbia, which is a principal user and benefactor from the airports. And therefore, the District of Columbia should and will have a primary role in formulating these policies.

I applaud your leadership, both of you, and I thank you for your presence here today, and look forward to working with you as we try to reconcile all of these arguments that we have heard.

Thank you.

Mr. CLARK. Thank you very much.

Senator TRIBLE. Mr. John Baker, president, Aircraft Owners & Pilots Association.

Mr. Baker, welcome. You have worn down the committee. I am the only one that remains at this hour. I can assure you and those witnesses that will follow that your testimony will be brought to the attention of my colleagues, if it suits my purposes.

STATEMENT OF JOHN L. BAKER, PRESIDENT, AIRCRAFT OWNERS & PILOTS ASSOCIATION

Mr. BAKER. I understand that completely, since we have discussed this at some length.

Senator TRIBLE. Mr. Baker, you are most welcome.

Mr. BAKER. Fine; thank you.

I feel a little bit like Custer. I do not quite understand this. They all seemed so friendly at the dance last night. But we think we represent a somewhat different perspective than you have had here today, namely we are users. We are users of both of the airports. We are the predominant users at Dulles, we, general aviation, and 30 percent of the traffic at National is indeed general aviation traffic.

We categorically reject the concept that these are local airports. There are no such things. They are all part of a national system; indeed, they are national airports.

Our experience in the past in dealing with airport authorities as such, we find local politics interjected into the problem. And I think anyone who believes, for instance, that National will not be impacted dramatically by local politics, if indeed they believe that, I have some stock in a bridge between Brooklyn and Manhattan that I would like to talk to them about after the hearing.

We represent 265,000 pilots. We also, incidentally, represent the biggest single organized group of airline passengers, because our members are transients, and they fly very heavily on airlines as well as in general aviation. And we do not believe that this giveaway—and we were the ones that originally made the $105 million offer for National Airport 15 years ago, and it was a verified bona fide offer for National Airport. And I hate to make the State of Maryland seem like a piker, but if they are willing to bid $90 million for it, we will reaffirm our $105 million offer, since you are throwing in Dulles for nothing now. I will not write a check obviously while I am sitting here, but I am comfortable by nightfall I can find the money.

We do not believe that the taxpayers' interests are at all well represented by a giveaway of this type of facility, and I find less than persuasive the Secretary's argument that she is too busy to worry about it. Were she to delegate——

Senator TRIBLE. Mr. Baker, I have to suggest to you that that is not what she said, and for you to suggest that I think does her a disservice. The Senator from South Carolina may have sought to characterize her statement in those terms, but that is clearly not what she said. You can argue your case very persuasively on the record, and this is your opportunity to do so.

Mr. BAKER. OK.

If it were delegated to the FAA, where the operation should be, then the problem would not be on her desk as often as it is.

The position that we do take, if indeed this effort were to go forward, is there are a number of guarantees that we believe are necessary to protect the users of the airports from local politics. These steps would at least make this deal passable but still not acceptable. The first is to freeze the landing parking fees. We have already been told that fees are going to go up very dramatically for the

users. Well, that is the third time we will have paid for these airports.

One of the points I would like to make is there are only two classes of taxpayers in this particular arena: those people flying general aviation aircraft and those people riding on airline aircraft. If you will look at the makeup of the group of people who worked on this, you will find that none of them are significant taxpayers. No one has solicited the broad base cross-section of taxpayers for their particular perspective on this. And if we see fees going up for the users, which was the comment made regularly all morning, we again get the fuzzy end of the lollipop.

In the case of general aviation in particular, the fee is a method of exclusion; and we are terribly concerned about that, since we are now confronted, for instance, by the New York Port Authority, with a $100 landing fee to drive us out of the airports which the authority operates; a $50 landing fee in Boston which we were happily successful in defeating; an effort made by Denver to raise their landing fee 733 percent, ostensibly to cut down on congestion even though general aviation represents less than 16 percent of the traffic there. And we think it would be inevitable that that same circumstance would prevail at both of these airports.

Clearly, from the constituency that we represent that is not an acceptable alternative. So we are going to continue to fight to keep these airports in the Federal system, as we believe they should be. Congress has been responsive to the needs of the users of these airports. The problems are almost without exception landsite problems. And while we all recognize, that National has been very poorly cared for by the Federal Government in terms of the landsite needs of that particular airport, much of that was in response to local pressures rather than national pressures.

So we think the local voice is heard. It is heard in terms of restrictions on operations on the airport. It is heard in terms of noise restrictions on the airport, and it has been heard in terms of the passenger cap on the airport. So the local jurisdictions immediately surrounding the airports have not been without impact on these airports, and we don't see any reason why that should change if the Federal Government continues to operate the airports.

The one point that seems to have been flailed about here with some regularity was the unavailability of money. We all know that the current surplus in the trust fund is $6.9 billion, of which about $3 billion is unobligated. The forecast is it will be around $8.4 next year, and our guess is it will be $10 billion by 1987. The interest on that next year is $790 million. Speaking for the taxpayers on that money, since we are the ones that put it in the pot, I would be more than willing to see a third of the interest that the Treasury will pay on our surplus of next year used to improve both airports. And I do not think you would find much argument from any other user group.

It was raised that other airports would complain very heavily. Well, other airports do not pay into that tax. It is the user that pays the tax, not the airports, nor the airlines. And I think I can represent the user's perspective that we would very readily acquiesce to seeing our trust fund money used for something related to

aviation rather than being impounded annually by the Office of Management and Budget.

Notwithstanding the very firm commitments made by this administration at the time this tax was put on that what had happened under the previous bill would not happen under this bill, that the money would be spent for the purposes for which it is collected, that it has not been the case, and we have no reason to believe it will be the case in the future.

Senator TRIBLE. I suspect that would be a reoccuring problem for you, Mr. Baker, as we face these huge deficit situations.

Mr. BAKER. As we all know, that is very creative bookkeeping, but it doesn't really address the Nation's deficit, because that is earmarked money that cannot be used for general revenue purposes. And indeed, it is a fallacious attempt to make it appear better than it is.

Senator TRIBLE. Well, be that as it may—and we could debate that, the niceties of budgeteering for the balance of the day—I suspect that whatever administration holds power, you may have to engage in that debate.

Mr. BAKER. I think in 1987 when we look at the tax bill, there will be a very heated debate as to whether or not a trust fund is a viable concept.

Senator TRIBLE Let me ask you, do you seriously suggest that there would be no hue and cry from users and airports in localities around the country if there was a serious effort to take a quarter of a billion dollars of this fund and dedicate it to the purpose of enhancing the airports?

Mr. BAKER. Not at all. There is plenty of surplus there to handle the AIP authorizations that are authorized by the bill, which is a billion dollars a year, and no one would know the difference.

Senator TRIBLE. This would be over and above?

Mr. BAKER. Exactly. Because it will require change to include these two airports under the Federal airport plan, if indeed that was the direction the Congress opted to go. So there is no reason why a one-time appropriation could not be taken from the surplus without adversely impacting any other airport in the country.

Senator TRIBLE. Your primary objective is to ensure that the landing fees and the parking fees remain the same?

Mr. BAKER. Essentially to ensure access, because the taxing, as you know, can be used as a vehicle to deny it to us.

Senator TRIBLE. Reasonable fees and continued access to these important airports.

Mr. BAKER. Exactly. And we find we do better in dealing with the Federal Government on that basis than we do with the localities.

Senator TRIBLE. Mr. Baker, I thank you and look forward to working with you in the days head.

Mr. Edward Pfeiffer, vice president and general manager, WDVM-TV, Washington, DC.

Mr. Pfeiffer, you are most welcome.

Let me say before the cameras begin to roll that I applaud your leadership and that of your station in speaking out on issues of importance to our community. I happen to agree with your position,

of course, on this issue; but you do a good job, and I want to acknowledge that for the record.

STATEMENT OF EDWIN PFEIFFER, VICE PRESIDENT AND GENERAL MANAGER, WDVM-TV, WASHINGTON, DC

Mr. PFEIFFER. Thank you very much, Senator. I must say we work at it.

I am Ed Pfeiffer. I am the vice president and general manager of WDVM-TV, Channel 9, a CBS affiliate here.

The fact that we serve all three of the jurisdictions that have been discussed today—that is, the Washington, DC, Virginia, and Maryland areas—is really something that should accurately suggest that we have no ax to grind, we have no stake in the controversial nature of the discussion between the jurisdictions. Our interest is a bottom line one that we feel will affect our entire area. And there is a force for good involved, and we feel that there is a force that might cause us to miss a great opportunity, and that is why I am here to make a few remarks.

It is my privilege to have the opportunity to testify in support of S. 1017, the Metropolitan Washington Airports Transfer Act of 1985. I, personally, feel that a first class, state-of-the-art air transportation system is crucial to the economic viability and progress of the Washington metropolitan area.

Our television station has been actively involved in research and coverage of this issue for the past 9 months, and we are convinced that only through local control of both Washington National and Dulles International Airports can the full potential of these facilities be achieved for the benefit of the community.

Both National and Dulles are, of course, currently owned and operated by the Federal Government. They are the only federally owned and operated commercial airports in the country. In my view the operation of the local air transport facilities is an inappropriate role for the Federal Government. While both National and Dulles Airports are being ably administered by the FAA, much more than able administration is needed.

And in this connection I might just make reference to something that was discussed this morning and a story that passed on our station this morning as well: the business of the uncompetitive wages of the security policemen at the airports and the Government.

Now, the fact is that it has taken almost 2 years to have that issue brought to any kind of a head at all. If there was a GAO study on it, it is before the OMB. And I heard this morning that in order for them to get a raise, it may well be that we will have to have an act of Congress.

Now, that is the kind of thing—if that is the way it is when you federally run a competitive institution, it is a thing that would be very scary in terms of understanding the inability of a federally owned institution to compete under those circumstances.

I might add that if it is almost impossible to get a $4,000 raise for 40 or 50 policemen, imagine how difficult it would be to get $250 million to build some needed improvements. At least that is the way it strikes a citizen who happens to be passing by today.

National and Dulles Airports must be developed, promoted and fully integrated into the economic base of the communities they serve. This I feel must be done at the local level by local officials with the mandate to operate both facilities in the best interest of the local region.

The airports here are people airports, as they are in other markets throughout the country. As a matter of fact, there are some brand new studies out on this very subject. "The Changing Washington Economy," that is issued by the Greater Washington Research Center, has this week reported its findings on the analysis of the region's economy in 1984. The research center recommends that in order to achieve steady and balanced growth among all economic sectors and jurisdictions, the region's leaders must do more to exploit the area's natural national capital assets for economic growth, citing as a prime example international tourism. The report adds: "An adequate infrastructure of workers, capital and transportation is needed to underpin that growth."

And still another study that is released this week, a study of the status of air transportation in the Washington region for the Center of Urban Education has also made the following points.

One, it appears reasonable to assume that an aggressive private management geared to commercial advancement of the local Washington airports would have led the Washington region's share of total U.S. air traffic being closer to 4 percent in 1983 rather than the actual 3.4 percent, or about an 18 percent addition to the current level.

And that by the way is a substantial amount of business. It is not insignificant at all. And two—there is a reasonable assumption that private or local management would be more responsive to commercial realities and consumer demand. Empirical evidence indicates there is a strong consumer support for improved service at Dulles as an alternative to National. To the extent that non-Federal management may be more efficient in a business sense than Federal management, a true potential exists for relieving the serious overcrowding at National.

That is in this study right here.

The history and experience of locally operated airports has been a positive one. Airlines provide much of the revenue foundation for most locally operated airports. The fees paid by the airlines not only go to day-to-day airport operation; they make possible airport capital improvements. These airline payments combined with other income generated by these facilities by airline passengers and others using airport concessions, as the mayor was talking about earlier, produce the result found commonly at major airports throughout the country, and that is that the airport is virtually economically self-sufficient, operating at relatively small cost to local taxpayers. Even the provision for such services at the airport as fire and police protection, the refuse removal and road repair are paid for by charges that are levied on airlines and airport concession operators.

Beyond this and of enormous importance, the economic potential of local airports under local control is staggering, and let me share just a couple of examples with you.

The Dallas-Fort Worth market: In the first decade after the opening of the Dallas-Fort Worth International Airport, the area's population—and by area I mean some fairly close-in area in that position; I think it's Irvine, TX—the population rose 25 percent. The total of the labor force increased by 40 percent, and retail sales increased 260 percent. The airport at Dallas-Fort Worth is an industry in itself, employing some 22,000 people with an aggregate economic impact on the area of about $4 billion a year.

Now a city has grown up around the airport, a city where nothing had been before DFW opened as the region's major air facility. Other communities have experienced similar growth directly as the result of expansion and development of local airports under local control.

I might just add that I was in Dallas, TX at the time that issue was debated, and as I sat here this morning, some of the same arguments, although with a lot different wrinkles because of the Federal concerns, but some of those same arguments came up. The bottom line is the way it is today is jobs, jobs, economic progress and prosperity.

In New Orleans, the New Orleans International Airport owned by the city of New Orleans is one of Louisiana's largest commercial and industrial complexes. It generates $1.1 billion a year in economic benefit to the city.

In Las Vegas, a study of the McCarran International Airport reports that 18 percent of the total personal income of the entire Las Vegas metropolitan area can be directly or indirectly attributed to the airport. And the potential for this area is no less impressive, and that is where we are so concerned as a local entity.

We have had our reporters to these other places, and we have seen what happens under aggressive local management. The Washington Metropolitan Area Council of Governments has projected a massive growth within a 10-mile radius of Dulles International Airport. In 1980, 70,200 people were employed in that 10-mile circle around Dulles. The Council of Governments projects that at current growth rates, 174,500 people will be working in that area by 1990, and that is an increase of 149 percent.

The bottom line is that airports mean jobs, and jobs mean a strong and vibrant community. As the Nation's Capital, the Washington metropolitan area should be a model for the Nation, an example of economic health and stability. The integration of National and Dulles Airports in the economic base of the Washington community can achieve that goal. All jurisdictions in the Washington metropolitan area, in DC, Maryland, and Virginia will benefit, in our judgment, from the development of a truly coordinated, locally controlled airport system in this region.

In my view, in our view, after the homework that we have been doing over the last year, there will be no losers. And keep in mind, we are not talking about the solution of today's problem; we are talking about the huge population explosion which is certain to impact in our area into the 1990's and into the next century.

The expansion of the job market, creation of a major international trading center built around the airports, and the ability of world class airports to bring new business and commerce to this area are this region's brightest hope for economic strength.

The local control and operation of Washington National and Dulles International Airports is the first crucial step toward realization of the potential of these facilities. S. 1017 takes that first step in a rational and a progressive way, while also preserving the Federal interest.

The committee's favorable consideration of this legislation will be a major contribution to the future of the Nation's Capital. It is an opportunity much too good to miss.

Thank you, sir.

Senator TRIBLE. Mr. Pfeiffer, I thank you very much. Your testimony, I think, underscores the point that the operation of National and Dulles has been held back, not advanced, by Federal ownership. And along with that and beyond that, economic opportunity in our own region, the creation of jobs, prosperity has been held back as well.

Mr. PFEIFFER. That is our opinion.

Senator TRIBLE. So I would hope that we could put parochial and partisan arguments aside and try to map out a strategy that is in the best interests of not only all the citizens of our country but also our community. That is our task, and I look forward to working with you to that end.

Mr. PFEIFFER. Thank you, sir.

Senator TRIBLE. Finally, we have a panel of distinguished former administrators of the Federal Aviation Administration.

Mr. Halaby and Mr. McLucas, we thank you for being here. These two distinguished former administrators of the FAA have had hands-on experience in managing Washington National and Washington Dulles. Moreover, they have broad aviation experience. One has served a Democratic administration, another a Republican administration, so their testimony will be bipartisan in nature. And I would invite you gentlemen to make your full statements a part of the record. Most specifically, I think this Senator and my absent colleagues would most benefit from your responding to some of the points that have been raised over the course of this long day. And the floor is yours.

STATEMENTS OF NAJEEB HALABY, PRESIDENT, HALABY INTERNATIONAL CORP.; AND JOHN McLUCAS, EXECUTIVE VICE PRESIDENT, COMMUNICATIONS SATELLITE CORP.

Mr. HALABY. Thank you, Mr. Chairman.

This issue before the committee is 30 years old, and all of us have aged with it. The controversy is of a local-State nature rather than a national one.

I had the privilege of serving President Eisenhower on an advisory committee that set up the FAA, and then President Kennedy made me his FAA Administrator. Later I was chief executive at Pan Am, and now I am just a local aviator and investor. But I have been deeply involved with Dulles and Washington National, as has John McLucas.

The national and international interest in servicing the public in this region must be kept foremost. The conflict over this legislation is between two States and it has inhibited the growth rather than facilitated the improvement of both of these airports.

I remember vividly when President Kennedy came in we had to decide whether to go ahead and build Dulles. It looked like a dream at that time. Senator Tydings and others were quite opposed to going forward with it. It was going to cost twice as much as the FAA had estimated, $120 million instead of $60 million and patronage was in doubt. And yet, the President decided to go ahead over the objection of the Marylanders to build the airport and its unique Federal access road, because it was and is in the national interest. Now it is coming to fruition.

After completing this greatest of world airports, we turned to the question of improving Washington National. We had a plan in 1964 to modernize that then obsolescent airport and terminal. We could not get $60 million to start that improvement for two reasons: the opposition of some very articulate and very thoughtful Congressmen and Senators from Maryland, and the Appropriations Committee who did not want to add $60 million—which probably in present terms would be $600 million—to improve that airport.

Now, the idea we heard all morning that there is $250 million sitting just for the plucking is not fully credible to me, that money is part of a trust fund but it has to be appropriated, has to be allocated and englarges the deficit, and is not just sitting there to be plucked. It is part of the program to modernize the airways as well as the airports. And as the Secretary said, the aviation trust fund has been allocated or planned, but it has to be requested, and then authorized, and then appropriated before that money could be made available to improve these two Federal airports.

What we want is to improve the airports, not to solve State competition over airports. As an administrator, you look at these airports as a system of balanced, consolidated service facilities. You do not look at them as a prize in the midst of a group of competing politicians. We want them to be part, as the previous speaker just said, of a balanced, consolidated, safe, and efficient system.

One of the reasons that every FAA Administrator has wanted to be relieved of responsibility for these two airports is that there is a basic conflict of interest between his role as landlord and his role as policemen on the corner to keep order—a basic conflict between his role and as regulator of all U.S. airports and his role as an operator of two of the airports in Virginia.

Another problem is the diversion of time. It is just a fact that every one of the FAA Administrators has had to divert his time from the major national-international issues that he has had to cope with under his responsibility and deal with a local issue. I remember hours and hours spent in trying to console a Congressman to whom one of those underpaid policemen had given a parking ticket. That is the kind of issue that diverts the FAA from skyjacking, and safety, and modernizing the system into these local and highly parochial issues that ought to be settled by local authorities.

Service to the public is the real issue here, and when we talk about that, it is to the broad national public that the FAA and the DOT must address themselves.

The total Airport Improvement Program, which has been referred to, is for 50 States; the formula for allocating that money to the States legislated by the Congress. Any dollar taken out of that fund for one airport has been at the expense of several hundred

other airports and 49 other States. And, therefore, the idea that you can reach in and get $250 million, add that to the budget that is already in deficit, and get it without trouble or difficulty from the other 49 States is not, in my judgment, in accord with actual experience.

The notion that you can take $250 million out of appropriated funds without paying the 10½-percent cost of selling U.S. Treasury bonds to raise that money, while if you do it through tax-exempt bonds, you are going to have to pay $370 million was the figure quoted, is really not, again, very realistic. The tax-exempt bond rate in Virginia at least would be on the order of 7 percent now, whereas the 3-year Treasury bonds are selling for 11 percent. So the $250 would cost more than $370 million by this same reasoning. There would be some IRS loss in the interest on the tax-exempt bonds, but I do not believe we are talking apples and apples when we compare $250 to $370.

In closing—and I am sure you are glad that I do not have a prepared statement—in closing, at great expense to your appetites and patience, I would just urge that we get a consolidated system for these three airports. The demand is growing, as we predicted 20 years ago it would grow, to provide adequate patronage for BWI, as well as Washington National, and Dulles. We want to draw some of that traffic out of Washington National into BWI and Dulles so that it will relieve that congestion there. We want traffic drawn out of BWI, Washington National, and Dulles to reliever airports like Leesburg, Manassas, and Frederick so that general aviation traffic is not congesting those airline airports. We want to see a high-speed rail system linking the District of Columbia, Baltimore, and all their suburbs with Dulles; BWI, and National. That can be done. Dulles is a great success. And I think we owe to Governor Holton a great debt of gratitude for the hard work he and the other commission members have done to try to achieve a balance here. And the idea of running it more like a business and give a voice and a vote to the local neighborhood is absolutely traditional American right stuff. Thank you.

Senator TRIBLE. Thank you, Mr. Halaby.

Mr. McLucas.

Mr. MCLUCAS. Mr. Chairman, I have been involved in aviation a long time, not as long as my colleague here; but I think I have as strong an interest in it as he does, and perhaps as many of those people who have already testified. But that is not what we are here to talk about.

Today I would like to support enactment of S. 1017. Even though I do not hold any brief for every comma in this bill, it seems to me the general thrust of the bill is in the right direction. I can imagine another bill that might be here, and that is one that proposed creating an authority to administer the three airports. We do not have that opportunity today. I think I probably would be in favor of that one, too. But the one which is in front of us and on which I believe action ought to be taken is one which I can heartily support.

The reason I think we need to engage in this transfer of authority of the airport administration is that I see the problems every day th .t are brought out by the present administration of the airports. Many people have gone out of their way to say that the FAA

has done a great job within the limits under which they operate. Well, but if you see one airport which is going to pot, as was said earlier, and one airport which is vastly underutilized, it is hard at the same time to say that the FAA has done a wonderful job of administration.

What you are saying is that the FAA, for whatever reason, has been prevented from reaching the proper results with both airports. And so having had, let us say, 30 years' experience in operating these two airports and having done the job that the FAA has done, I think it is time to turn them over to someone else and see if they cannot do better.

As a former FAA Administrator, I would support Mr. Halaby's comments that we have had to devote an inordinate amount of time to the airports, but if we had achieved wonderful results because of the use of that time, I would feel better than I do under today's circumstances.

I think the FAA's time can be used better than in running those two airports, and I think that the FAA's mission, which is to maximize the utility of aviation in the country, could be improved if they were administered by some local authority.

One of our Senators, who was up there with you a while ago said that the name of the game is money. Well, everything involves money, and I do not disagree with what he says, except the emphasis which was given to money. I think the principal issue in my mind is one of local autonomy and the ability to control what happens to the airports in which the citizens of the local area have such a great stake.

I live about a half a mile from the flightpath, and I have a feeling of great involvement with the National Airport, and I would like to have some say in how it is administered. And I think if it were handled by a local authority, I would have that say.

Now, Dulles also needs attention. People have talked about the specifics, and I think that the authority would also give adequate attention to Dulles' problems.

When I think about why the FAA has not done a better job, there are several reasons, but one is that the FAA Administrator has 12 issues on his plate every day when he walks into the office, and somewhere down near the bottom, unless there is the Senator's parking ticket to be fixed, is the local airport problems.

If you create a local authority, the issue of operating those airports efficiently would be at the top of the authority's list, not at the bottom. I am sure that transferring the airports to a local authority will not solve all the problems. I do not think it is a panacea. But I think that those problems can be dealt with, as we have shown that under the present arrangement they cannot be dealt with. And I think they will be dealt with in a democratic manner.

Now, yesterday I sat with a Congressman at breakfast, and I told him I was going to come over here and testify in support of this bill, and he said: "Well, I will have to oppose it if you support it." He said: "I fly out of that airport every weekend, I go home every weekend, and my motto is if it ain't broke, don't fix it." Well, I think it is broke. We have, I call it in my testimony, a national disgrace, the situation at National Airport.

I think that the physical things that need to be done there to make it a desirable airport are all very simple things. It is a jurisdictional issue and a political issue which keeps us from arriving at the obvious solutions to those problems. And there is nothing very difficult if we solve that jurisdictional issue, and I believe that will be done if we turn the authority to operate the airports over to this local constituency.

I think I have made all the points I wanted to, Mr. Chairman.

[The statement follows:]

STATEMENT OF JOHN L. MCLUCAS, EXECUTIVE VICE PRESIDENT, COMMUNICATIONS SATELLITE CORP.

Madam Chairman and members of the Aviation Subcommittee, as I write this testimony, I can glance out my window at an air carrier airplane making an approach to the main north-south runway at National Airport. Within a few seconds, this airplane will pass about one half mile to the east of my house, an event which is repeated hndreds of times per day. For 7 years, I have lived within a mile or two of the normal traffic patterns of approaching and departing flights using National Airport. Such close proximity could lead to a lot of love or a lot of hate. I could say that I am a dispassionate man with a completely objective view about aviation but that would not be true. I am a person with a strong bond to matters related to aviation, a bond which was established long before I served as Secretary of the Air Force or Administrator of the FAA, or President of the American Institute of Aeronautics and Astronautics.

I consider the present network of airways, communications and navigation facilities and the airplanes which use then to be one of the most important assets which we have. The last eight years which I have spent working in the field of satellite communications has in no way diminished my interest in, nor my love for, matters aeronautical. In fact, it is gratifying to me when I look out my window to see an increasing number of jet aicraft with quieter engines due to some noise rules we put into effect during my tenure at FAA.

My purpose here today is to support enactment of S.1017, the Bill to transfer operating responsibility for Washington National and Dulles International airports to a local authority to be created for that purpose. I do not wish to defend every comma of the bill as it now stands. But I do believe that the Bill takes account of all the major aspects of such a tansfer and deals properly with them.

The principal reason I am in favor of the transfer of the airports is that I see daily the need to make improvements to our local airports and I see essentially no action to deal with these problems. I fly out of National regularly and out of Dulles several times a year, accumulating about 100,000 mile of flying in the last year. The land-side traffic situation at National is a disgrace to the Nation's capital. There is no good reason why we need to go on year after year with the antiquated road system serving National. It does not require any engineering breakthrough to fix the problems. It takes only the necessary combination of appreciation of the problems and a determination to do the obvious construction work. The design work is no problem at all since hundreds of similar problems have been corrected at airports both here and abroad.

It is apparent that the real reason no progress has taken place is political and jurisdictional. The two airports in question belong to the FAA and so one would think that the FAA would have solved the problems long ago. But it hasn't happened. I think the reason is that the FAA has many other problems which are more important—or appear to be more important—than problems of inconveniencing a few million people at the airports.

If National belonged to a local authority, the authority would not have a dozen problems on its plate which had priority over the airports. The airports are the authority's only reason for existence and hence problems at the airports would get their immediate attention.

Dulles also needs attention. There has been talk of building a mid-field terminal building, but no action. Parking has become a problem. Neither of these problems is very glamerous or special. They can easily be taken care of by a local authority raising revenue in the usual way. The level of traffic at Dulles is bound to increase and we need to plan and act accordingly.

What about costs? Would passengers end up paying for excessive landing fees and other changes to the airlines and other carriers? There is no reason to assume that

costs would escalate. Our airports enjoy a healthy level of traffic, being neither at the high end nor the low end of the nation's busy airports. Thus we can expect our experience to fall within the normal bounds of that of other successful airports in the country.

Are there disadvantages to the transfer? There probably are. Yesterday, I told a congressman I would testify today in favor of the transfer and he said he would have to oppose such action. He flies home every weekend and he said his motto was: "If it ain't broke, don't fix it." But I think something is broke. We have an expanding population, we have a younger generation of people who tend to fly more than their elders and we can expect traffic to continue to build up. We must give the local people the responsibility for their own airports. If this is done, we the local people will get the quality of air transportation we deserve, which means we must deal with our own problems. There is certainly no unanimity of opinion on just how to deal with some of our problems. Notably the noise problem. But proposals can be made and accepted or rejected on their merits. Over time we will get what most of us want.

In my view, the cost of making the necessary improvements to the local airports should be borne by those who will benefit. The issuance of revenue bonds provides the obvious mechanism for generating the necessary capital. I think we should move ahead with the plan embodied in S. 1017 and so I recommend approval of the Bill in essentially its present form.

I would like to pose one question: If it is the intent of Congress to put the local airports on the same basis as other airports in the country, why should the local authority be subject to special federal restrictions which do not apply generally to airports? Thank you, Madame Chairman.

Senator TRIBLE. Thank you, gentlemen. I appreciate your testimony and your comments.

Let me ask you just a couple of quick questions. A number of Senators have suggested that this is a giveaway, that this land, the airports, warrant a much higher price. Do you have some sense of whether the scheme put forward by the Holton commission is a reasonable one or not?

Mr. HALABY. The evaluation of a public facility like an airport is an exotic enterprise. The only airports that have ever been given away are surplus military airports, and there is a wise provision in the Surplus Property Act that permits the FAA to take control of some of those airports.

If you take an airport like MacArthur in Long Island, the value, once all of the shopping centers and apartment houses and condominiums went into that airport, which was lost after a struggle by the FAA to keep it, is probably a billion dollars and maybe even more now that it is 15 years later.

There is no way to have a conventional valuation of the airport. But after looking at what has been recovered in landing fees, passenger fees and all of the concession fees at these two airports, that is not an unreasonable figure. The offer of twice that amount for two airports I know is in jest, because if you tried to value the airport for other than airport purposes, obviously at the rates that are going in Fairfax and Loudon County now, it would be much, much more. But the bill provides that it can only be used for airport and airport-related purposes. Therefore, that puts a cap on any valuation. So it is a negotiated number, as I see it.

Senator TRIBLE. You have spoken about the need to have a consolidated system, and you have both suggested that could include three airports as well as two. I did not hear an offer today from our friends in Maryland to make BWI part of a consolidated system, but if that were made, is that something that ought to be pursued, in your judgment?

Mr. McLucas. As I said earlier, I think that if that were the proposal which the commission had worked out over the period of a year's time—and I know they put in a lot of work—I would have no trouble supporting it. To say that the commission did not do their job properly, that they did not give adequate attention to that alternative, and that they should start over and try to get BWI to be a part of this triumverate would be, in my view, unfair to the commission.

I assume that they have taken all of these factors into account and that the opposition that was raised by the people representing Maryland was valid, and therefore, it would take a very long time and may not come to any end if we tried to reopen that question.

Mr. Halaby. I agree with that. And the thought that these business operations, these are operational facilities deeply involved in safety, comfort and convenience of the public should be sort of balanced politically with five political appointees from three different jurisdictions so that they could paralyze action or completely undo operational efficiency is a political concept, not an operational concept. And I would worry that in an authority like this, it should not be politicians representing jurisdictions. It should be public servants seeking to serve the public in a balanced way, and I would hope the appointees would be chosen for their merits rather than their forensic ability.

Senator Trible. You will be happy to know that the Holton commission expressly recommends that, and the legislation provides that the appointees to the commission cannot hold public office.

Mr. Halaby. And they do not get paid.

Senator Trible. And they do not get paid. So they are truly great citizens.

Mr. Halaby. When you look at the New York Port Authority, you can get lessons, good and bad, on how this could work. There they have taken an underused airport at Newark and brought it up to very successful use like LaGuardia and Kennedy Airports. In addition, they have worked on a reliever airport at Teterboro, and in fact, they turned it over to us at Pan Am to operate because they wanted it to be operated on an even more businesslike basis than the port authority. So it can be done, but it is done by people appointed for their desire to serve all of the public rather than one jurisdiction.

Senator Trible. Your arguments about operational efficiency and the consideration of safety and service and not politics would seem to argue persuasively against the splitting up of National and Dulles, and I assume they apply to that suggestion as well.

Mr. Halaby. It certainly does. As you know, there is a broader issue here: Two great States competing for jobs and business and progress. It is not just these airports that they are competing over. But what worries Maryland most is that these airports, if successfully developed, will draw jobs and businesses away from Maryland to Virginia.

Well, let the marketplace for public services govern where people locate, employment and progress, and not some arbitrary scheme of allocating traffic to airports. Let's optimize the use of all airports in this important region. Let's set an example!

Senator TRIBLE. Gentlemen, I thank you for your testimony, for your patience, and at this point I would submit to the record the statement of William Coleman, former Secretary of Transportation, and a number of other documents.

And with that we will bring this hearing to a close.

[Whereupon, at 2:48 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

TRANSFER OF NATIONAL AND DULLES AIRPORTS

THURSDAY, JULY 11, 1985

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON AVIATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room SR-253, Russell Senate Office Building, Hon. Paul S. Trible, Jr., presiding.

Senator TRIBLE. The subcommittee hearing will come to order. This is the second hearing on S. 1017, and S. 1110, the Transfer of National and Dulles Airports.

The first witness this morning is Paul Ignatius, president of the Air Transport Association. Mr. Ignatius, you are invited to come forward.

Senator Ford, do you have any words of wisdom at the outset?

Senator FORD. I have some gems, but I would yield to the witness.

Senator TRIBLE. We thank you. For that, Mr. Ignatius, you are most welcome.

STATEMENT OF PAUL R. IGNATIUS, PRESIDENT, AIR TRANSPORT ASSOCIATION, ACCOMPANIED BY JAMES T. MURPHY, VICE PRESIDENT

Mr. IGNATIUS. Thank you, Mr. Chairman, Senator Ford. With me is Jim Murphy, who is vice president of the Air Transport Association and in charge of our airport work, and has been for 6 years or more.

Senator, I have a full statement which I would request you to make a part of the record. In order to conserve time, I plan to go forward with a brief statement.

Senator TRIBLE. Your statement will be made a part of the record at this point, and you are invited to summarize your remarks.

Mr. IGNATIUS. Thank you. I think I should get right to the point at the outset, Senator Trible, and say that the airlines support S. 1017 that would transfer Washington National and Dulles Airports to a new authority. We have one amendment that we think should be enacted, and we describe that in my full statement.

Perhaps I should say why we support the bill. There are a number of reasons, but they come down to, I would say, two fundamentally important ones. The first is that we believe this transfer

would provide a greater degree of policy continuity and a more certain environment in which to make plans and future investments.

The airline business is a long lead time business. It is a capital intensive business, and in order to make decisions with respect to capital expenditures and other matters, management needs to have a predictable environment. This has not always been the case, particularly with respect to National Airport. There have been changes introduced by different administrations for differing reasons. Often the Congress has become involved in matters directly affecting the airport. All of this has created uncertainty, which we believe would be supplanted if there were an authority of the kind anticipated in this legislation, responsible to the types of commissioners that this legislation envisions would be the governing board.

The second reason is that we believe this transfer to the new authority would facilitate the needed capital expenditures for these two airports. There are substantial funds needed to modernize and extend the facilities at National, and to increase the facilities and the capacity at Dulles.

I do not have to tell you, Senator, that this is a booming area. The demographics of this area are very strong. The developmental record is impressive, and it is expected to continue, and all of this means that these airport facilities must keep pace.

Now, if these airports are transferred to the local authority that would be established if you enact this legislation, that new authority can go to the private capital markets in order to obtain the necessary funding.

I have always believed, and I think it has been dictum in our society, that you look to the private economy whenever you properly can, and you reserve to the Federal Government only those responsibilities and functions that either should be done at the Federal level or for whatever reason must be done at the Federal level.

In the case of airports, these two airports are in marked contrast to all other airports in the country, because they are federally owned and operated. Airports typically are locally owned and operated, and they are financed by going to the private financial market.

I would think those of you who bear the excruciatingly difficult responsibility of making wise public policy decisions at a time when there is a $200 billion deficit and, looking downstream, expectations of continuing deficit problems of this kind—I would think if there is an opportunity to finance some of what has been financed through Federal means by turning to the private capital market, that would be of interest to you. Obviously, it will not solve all of your problems, but as the fellow says, a quarter of a billion here and a quarter of a billion there, and pretty soon you are beginning to get some help. We are talking money of that magnitude, a quarter of a billion dollars, $250 million, when we are talking about immediately identifiable capital needs at Washington and Dulles.

So these are the two principal reasons. Now, there is one other point I would like to make if I might before completing this introductory statement. There has been a great deal of discussion and controversy with respect to the so-called $47 million transfer price.

Is that fair and reasonable, or does it constitute some kind of giveaway.

In fact, this morning's paper carries an article in which this same point is made based upon hearings yesterday in Senator Mathias' subcommittee.

Let me just point out quickly that the FAA, which has been responsible over the years for these airports, has stated that the cost of the land and the capital expenditures at these two airports over the years totals $284 million; $284 million is the capital investment in these two properties.

Over the years, that amount has been in effect amortized by payments from the users of which the airlines are the primary ones. There are others also, concessionaires, but the airport users primarily have been the airlines themselves, which have reimbursed through landing fees and rents these costs, these investment costs.

There is remaining some $47 million of unamortized debt, and the bill says that that amount should become an obligation of the new authority, and should be met by the users. The airlines fully agree with this. We are fully prepared to pay our share of it, which will be a substantial part of it.

Now, there is another point that does not come out, in addition to the fact of the $284 million that I have already stressed. That is an unfunded pension liability for the Federal employees at these airports. That is estimated anywhere from $33 to $35 or $37 million, somewhere in that ball park.

Now, that—let us take the lower part of it—$33 million is additive to the $47 million, so you have an $80 million obligation that the new authority would assume that would have to be paid out, so to speak, by the users of which the airlines again would be a primary participant. The $47 million then does not, in and of itself, does not take account of the total of $237 million of debt and capital value that has been paid, as well as this unfunded pension liability.

Now, from our standpoint, as the airlines, we have paid this money in the past. We are prepared to pay whatever we owe in the future. But I do not think you would find it unreasonable when I say we do not want to pay for the same thing twice. We are fully prepared to pay for it once. We have been paying for it over the years. We will pay whatever share remains, but we do not want to pay for the same thing twice.

Now, often this transfer cost is contrasted with other estimates of the value of these airports. For example, the Grace Commission, as you know, established a figure of somewhat on the order of $300, $325 million for the value of these properties.

Senator, I do not have any doubt but what, if you could take National Airport and close it down as an airport and build high rise condominiums and commercial development and do the same thing out in Dulles, that you would not have land value there of every bit of that amount. I suspect every developer in town would love to get his hands on that.

But of course the bill does not permit that. What the bill says clearly is that these airports must continue to be used as primary airports. That is the use to which they can be put. They cannot be used for residential developments, highrise condominiums, and all

of the things that establish a value in the many hundreds of millions of dollars.

So, the value of land derives not only from the inherent land itself, but the uses to which the land can be put. In this case, the bill confines those uses to airport uses only and does not permit the kind of residential or condominium development that could produce a land value in excess of several hundred million dollars.

Well, those are the points I wanted to make in my opening statement, and Jim Murphy and I now are ready to address any questions you may have or Senator Ford may have. Thank you very much.

Senator TRIBLE. Mr. Ignatius, I thank you for your very thorough statement the record and for your summary statement just completed. Senator Ford?

Senator FORD. Mr. Ignatius answered my question. I just was going to ask, what is the land value? What would be the land value at National Airport if the land was put up for auction?

Mr. IGNATIUS. It is an enormous amount.

Senator FORD. You are talking about hundreds of millions?

Mr. IGNATIUS. There is no question about it. It is very valuable. And if the administration were coming forward with legislation asking that this land be excess, that it no longer be used as an airport, and that it be made available for sale, clearly they would not come before you in the way they have. The value would be substantially in excess of what we are talking about here for airport usage.

Senator FORD. Of course, we could just sell National and keep Dulles and still have more than our money back and have an airport, I suspect, could we not?

Mr. IGNATIUS. Well, you know, this airport, National Airport, as those of you here on the Hill probably know better than anyone, is convenient, and has served very well over the years, and in combination with BWI and Dulles provides an excellent network of airports.

The amount of growth of passenger transportation and cargo transportation in this area is very, very large, Senator Ford, and I believe that in addition to the fact that National is very convenient, that you need the capacity over the years ahead of us to handle the kind of traffic that we are talking about.

Senator FORD. Well, I had a farmer tell me one time when I was running for Governor he sure did like those interstate roads, but he sure would like to get to them, and I think we need some get-to-it roads as it relates to National, and that has nothing to do with the improvement of the airport, of course. After you get to the airport, that needs some improvement.

Mr. IGNATIUS. Well, on the airport itself, the road net could be improved, and I would hope that with a new authority established such as is proposed here, that we could get on with modernizing the roadway on the airport property.

Senator FORD. Let me ask you this question. Does it make any difference to you or to your association who owns or who has control of either airport as long as they have the ability to do what you have explained in your testimony this morning?

Mr. IGNATIUS. I think that is a fair statement. Over the years we have been very satisfied with the way the Federal Government has

operated these two airports. It has been efficient. It has been well managed. And our concern, Senator Ford, is that we do not look forward with any particular optimism to the possibility that these capital needs that I spoke of are likely to be met if we must continue to be dependent upon Federal appropriations.

Senator FORD. Well, what I am saying to you, though, we are proposing now under this legislation to put each airport under a commission or board and they will have the authority to go out and offer interest-free bonds and begin to do those things that you have enumerated this morning were necessary.

My question is, does it make any difference who has control of Dulles or who has control of National as long as those boards or those commissions could do those things that you set out in your statement this morning? And let me clarify that a little bit, because I am alluding to the proposal that was thrown up earlier, that being given Dulles to Virginia, and National to a board.

Under those circumstances, they would both have the same authority to do whatever you are talking about. They can change the structure. They can remodel. They can make all of these expansions. Does it make any difference to your association how that is done?

Mr. IGNATIUS. I think I understand your question. Let me respond to it. The legislation before you, S. 1017, is based upon the work of the Holton Commission, which was charged by Secretary Dole with the responsibility to come up with a plan for the transfer of these airports.

I was a member of that commission, and it was a good, thorough effort.

Senator FORD. Well, they are to be complimented on what they have put together.

Mr. IGNATIUS. They did a good job. Now, during the course of the deliberations of the commission, the representatives on the commission from Maryland expressed some concern, as I am sure you know, about the commission's findings.

Senator FORD. Let us underscore "some."

Mr. IGNATIUS. And they have suggested an alternative, and I believe that is the one you referred to where Dulles would be transferred to a State authority in Virginia and Washington National Airport would be operated and controlled by a tripartite commission with equal representation from Maryland, Virginia, and the District.

Now, let me respond to that. We have some concerns about the tripartite operation of National for the reasons that I stated in my opening comments, Senator Ford. There has been a lack of consistent policy direction over the years. That has been a problem for the airlines. If you have three parties there with somewhat differing views and objectives, we believe that would not provide the kind of policy stability and operating stability that we think is necessary.

Senator FORD. Wait a minute. As I understand it, you almost have a tripartite over both airports. And the recommendation of the Holton Commission, which you said you were a part of, made a recommendation that we have 5 members from Virginia, 3 mem-

bers from the District, and two from Maryland. What would be the difference of having them over National or over both?

Mr. IGNATIUS. The difference is that in the case of the alternative that Maryland has proposed, as I understand it, with respect to National Airport, the tripartite commission would consist of equal numbers from the District, Maryland, and Virginia. In the case of the Holton commission, all three parties are represented, but they are not represented with equal votes.

Senator FORD. That is right.

Mr. IGNATIUS. It would be 5, 3, 2, plus an 11th person who would be a Presidential appointee with the advice and consent of the Senate.

Senator FORD. And that therein gets you. You have a political question that has to be answered, and I am very frank about that. You have a political question, and I think there is a degree of fairness where Maryland has expended all its money and worked hard for BWI, and we are getting ready to give Dulles to Virginia. That is the way I understood that. And then you have your group that would oversee Washington National.

There is some concern that $284 million was your figure, and the Grace commission went about $300 million for both airports. Well, you can get more than that if you put National on the auction block and then you go into interest-free bonds, and that increases the cost to the Federal Government. We have gone through all of this, but what I am trying to do here now is to weave through the minefield, and to get through that minefield we have to find a solution.

If we all do not find that solution together, we may wind up with nothing. And I think the worst thing that could happen to us is nothing. I think the worst thing that could happen to your association and your future and your willingness is to do nothing. So what I am trying to do is find something that will get us to a point where it will work.

Mr. IGNATIUS. Well, you asked me for a comment, and I gave one. We feel there could be a stalemate if you had an airport with the degree of contentiousness that has always characterized Washington National Airport, administered by a body with equal votes and somewhat differing views. We think that would be a recipe for a stalemate.

Senator FORD. Well, you just do not divide 3 into 10 and make it equal, or 2 into 10 would be 5, I guess, with the Presidential appointment. That would be seven, I guess, two from each or three from each. You could wind up with a tie, but you would have—each State would give or State and District would have an equal number plus the appointment of the President.

Mr. IGNATIUS. I do not know the Maryland alternative involves a Presidential appointee. The plan in this legislation involves an 11th person who would be a Presidential appointee.

Senator FORD. Well, they do not need the 11th person with the District and Virginia voting together. I mean, they do not need an addition. I am not very bright, but I still can count up to 10, and I understand who will have control of both airports. And that is worrisome when you begin to try to insert the word "fairness" and when you begin to look at the value of the land and when you

begin to look at the loss to the taxpayers on interest-free bonds and you begin to look at who controls the airports, you begin to have some questions.

What I am trying to do is to eliminate some of those questions, and they are major questions, so we can have the kind of airport that we want, so that we can make those kinds of improvements.

Otherwise, I think we are going to be stagnant and continue that in the future, and that is something I do not want, and I am fearful that that might happen. All I am doing is trying to get a judgment from you, representing a major interest, with a great deal of willingness to do what is right and pay a fair share, to get you to the point where you can realize some of these things that you see are needed.

The only thing I am trying to do is to get us into the posture where we can move forward with this. Otherwise, you are finding we are beginning to pit friend against friend and colleague against colleagues, and others are coming in for other reasons, for whatever that might. I would just like to eliminate that if I could. I appreciate your answer, and I hope you appreciate my frankness.

Mr. IGNATIUS. I do indeed.

Senator FORD. Thank you, Mr. Chairman.

Senator TRIBLE. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

Do you think that BWI made a mistake by not wanting to come into this at the beginning, so it would be an arrangement with three airports as opposed to two?

Mr. IGNATIUS. I think that is an answer that only they can really give, Senator Rockefeller.

Senator ROCKEFELLER. What do you think?

Mr. IGNATIUS. During the course of the Commission's hearings, the question of including Baltimore-Washington Airport came up, and my impression is that they said in a number of instances that they just did not feel that they could do it.

There are examples around the country where, as you know, you have interstate compacts that involve airports from more than one State, and that presumably could work in this area, but I would not want to characterize their views as a mistake or not a mistake.

What has evolved from the Commission's work is, I believe, a workable plan embodied in this legislation, and I would hope we could get on with it. If Maryland at some later date were to change its mind and want to come in, that is to say, to offer up BWI Airport as part of this, perhaps that could be considered at some later date. But they gave no indication, Senator, during the Holton Commission deliberations, of a desire to be part of this process.

Senator ROCKEFELLER. I understand that. I started out on this skeptical, and so informed Chuck Robb, and should have informed Senator Trible, and I did not. The more I have listened to it, the more it seems to me to make sense and it seems to me to be a good idea primarily. There are questions I think which can be legitimately raised.

I am still troubled by the transfer. I mean, I think you could look at that and leave out the Grace Commission altogether and try and come up with something which probably would sound or make one feel better about the transfer price, but I do not think that is ulti-

mately the issue. It seems to me ultimately the issue is what is going to produce a better series of airports or a better pair of airports, and I think there is no question but that this approach to it is the answer.

That is not just parking, but as one goes along with presumably the kind of New York Port Authority bond strength, whether tax reform passes or not, so that it can override and claim money that it needs to expand, to make the airport more safe more convenient, as is fitting for this area. But I would like to have your assurances on one or two points if you can give them. These slots remain the same.

Mr. IGNATIUS. That is correct. That is an FAA rule, and that is frozen in the number of slots.

Senator ROCKEFELLER. The cap, however, is lifted?

Mr. IGNATIUS. The cap is lifted in the legislation.

Senator ROCKEFELLER. Therefore, as I look for West Virginia's situation, and had I been voting on airline deregulation, I guarantee you I would have joined Jennings Randolph in his vote, because within 1 month or so of that vote, American and Eastern and United had said goodbye to West Virginia and had gone to areas which they consider to be more profitable. This has everything to do not only with the industrial perception of West Virginia but the self-perception of West Virginia, and that was a painful experience.

Now we are very pleased that we are served by USAir and Piedmont. However, when one lifts the cap, then one could say, well, there would be pressure for larger aircraft that would carry more people.

And if you have ever landed at Charleston International Airport, you know that if everything comes in exactly the way it ought to, and you turn off the runway, there is about 30 feet left before you go over the hill there, which is why we never have accidents, because pilots are always at their top efficiency.

Nevertheless, larger aircraft—in fact, Barry Goldwater, Mr. Chairman, was the first one to land there in a 727 during his campaign, and almost literally, I think, began to go off the runway. We have since lengthened the runway out of respect to the Commerce Committee.

But nevertheless, if the planes get bigger, Charleston and others become of greater trouble, and what I am asking you is, do you see the lifting of the cap as translating into larger aircraft, and thus diminishing USAir and Piedmont's interest in servicing West Virginia?

Mr. IGNATIUS. Senator, that is a very good question. I will try to give you a good answer and not have it go on at tedious length. There has been a fundamental change in the airlines since deregulation. We used to buy smaller numbers of larger airplanes, and now we are buying larger numbers of smaller airplanes. It has been a fact of deregulation and you see many, many of the 737-type airplane that Piedmont and USAir are buying in quantity—the two airlines you mentioned—and American buying a lot of MD-80's, twin-engine airplanes. And the reason for this is that frequencies have increased and the hub and spoke type of operation which has evolved has required that kind of airplane as opposed to the three-engine and the large four-engine airplanes.

Now, let me continue on. If the cap were removed, there are some routes, not necessarily routes from Charleston, but there are some routes where a larger plane would be the proper type of plane to use on that route, because the load factor would be adequate to handle the economics of the larger plane.

The problem we have had with the cap has produced a kind of anomaly where an airline is prepared to bring in a larger plane which is quieter than the airplane it replaces, but it has not been able to do so because of the problem of bringing in more people and coming up against the cap.

So, we are very pleased in this bill that the cap has been removed. The cap has always been argued as being necessary for noise purposes. You know, people don't make noise. Airplanes make noise. And if you can bring in a quieter airplane with more people, you are reducing the noise level rather than continuing to bring in a smaller number of people in noisier airplanes.

So, I have tried to say in my answer, yes, you could expect some larger airplanes if the cap were removed, but not necessarily from the cities that you spoke of unless the load factors got so large as to warrant the larger equipment.

Senator ROCKEFELLER. I understand that. The other question I had in mind was the matter of commuters. Now commuters are not so listed or designated under slots, but they are discretionary and will continue to be discretionary either as between the FAA or perhaps the authority itself. How do you predict the future of commuters which are by definition very small but take approximately the same amount of time to land and take off at these airports?

Mr. IGNATIUS. Well, first let me make a general comment about commuters. They have served a very useful purpose since deregulation. They have provided service to many communities. Their smaller planes can be efficiently operated at the higher fuel costs, and so forth, that we have experienced in the last decade, so they have risen to the challenge and they have done a good job.

With respect to National Airport, the slots, the allocation of slots is based on three types of users. There is an allocation to the major airlines themselves, 37 an hour, there is an allocation to the commuters, and there is a third allocation to the private airplanes, the so-called general aviation. So there is a commuter slot allocation, and they have to work within that, just as the airlines have to work within their allocation of slots.

Senator ROCKEFELLER. And therefore you do not foresee any particular problem greater or lesser than what exists today with the commuters?

Mr. IGNATIUS. The main point that I am trying to convey here is that the legislation assumes that the so-called high density rule, the FAA rule which establishes a limit on operations from which the allocation of slots derives, will continue. The cap, however, would be removed so you could bring in more people, but you could not conduct more operations. That is the essence, I believe.

Senator ROCKEFELLER. I do understand that, but am I incorrect in believing that the commuter slots are not frozen or are not included within the 37 slot freeze?

Mr. IGNATIUS. They are not in the 37 slots. They have their own allocation.

Mr. MURPHY. Thirteen an hour.

Senator ROCKEFELLER. Is that FAA determined or discretionary to the new authority?

Mr. IGNATIUS. Could we respond for the record on that more definitively, Senator Rockefeller?

Senator ROCKEFELLER. Thank you.

Thank you, Mr. Chairman.

Senator TRIBLE. Senator Exon.

Senator Exon: Paul, just a couple of questions. I think we are all starting to come up with some kind of a compromise here, because I like the basic concept of what you are trying to get done, and I think Governor Holton, yourself, and others have worked very hard in trying to work this thing out, and at least most of us here try to be as helpful as we can in reporting something out that will get the job done.

Is there any way and could you cite without going over a whole lot of new ground your view as as member of the commission on the possibility of rebalancing or reallocating the members of the governing body so that the competing interests of BWI on the one hand and Dulles and National on the other might be through some kind of a mechanism satisfied that there would be a better balance? And I do not even think you think that the present commission is very well balanced, do you?

Mr. IGNATIUS. Well, I must tell you that from the airlines 'standpoint we would have preferred to see a clear majority in one political entity, presumably Virginia. And the reason that we argued for that was the point I made at the outset of my testimony with respect to continuity of policy, decisionmaking, and so forth. We wanted that to be clear.

As it turned out, that was not the will of the commission as a whole. There was a need to balance this out, and I would think, Senator Exon, that that particular matter was probably the most delicate and the one that was combed over most carefully of anything that was done. It was finally worked out by Governor Holton together with others on the Commission. I believe Senator Warner played a role in that.

One of the great talents you all have in the congressional field is the ability to find some kind of compromise or happy medium that people can subscribe to, and this was an example of that as far as the commission was concerned, although we preferred something, as I say, that would have had a clear majority in a single jurisdiction I must say that in order to provide candid testimony for you.

Now, whether some other mix of members would be a more acceptable one I do not know. I just know that there was a lot of time spent on trying to come up with this one, and whether if you tried to modify it with a little bit more of this and a little bit less of that, the whole thing could conceivably come apart.

Senator Exon: Take, if you can, for a moment, Paul, take off your Air Transport Association hat, if you can, and put yourself in the shoes of those of us at this table. We have a responsibility not only to try and be fair, but we have the interests of the rest of the Nation to look at.

Do you believe that the interests of the air travelers of the Nation as a whole would be served with essentially Virginia offi-

cials having a majority of control over most of the passengers that would go in and out of these two airports? This is the Nation's Capital.

There could be, and I am not going to try and make the case, because I want to get the Government out of business, you could make a pretty good case that in the Nation's Capital you should have a national airport that is owned lock, stock, and barrel and control by the authorities here who have to look toward getting people in and out of here. I am not saying that Virginia would stand in the way, but there is always that threat.

Now, was that considered, or was that of any concern to you, if you can take off your Air Transport Association hat for the moment?

Mr. IGNATIUS. Well, I can answer that with or without a hat on. First, I think what the commission came up with and what the administration has presented for your consideration in this bill serves the public interest. Why do I say that?

First, because it seems to me it provides a more assured means of meeting the capital needs that passengers and shippers will require today and in the years ahead as the air commerce of this area continues to grow. There as something like 25 million passengers today, Senator Exon, served in this Washington market. The FAA estimates that in 10 or 15 years that will double to 52 million. We are going to need all the airport capacity we have, and we have got to make sure that we have a means of meeting the capital needs.

I said in my opening comments that I was less than sanguine about the ability of the Congress to fund these capital needs at a time when you are struggling with these terribly difficult decisions against this $200 billion budget dificit. You have an opportunity here by transferring these to a local authority to depend upon the private market to finance them, and it seems to me that that is in the public interest and will best serve the passengers and shippers.

So far as Maryland is concerned, BWI is a wonderful airport. And it is a growing airport. In recent years its annual increase has been in double-digit figures. And there is another point. You know, the airlines do not just carry people. They carry cargo. We are very important cargo carriers. BWI airport carries almost double the cargo tonnage of the combined total of Dulles and National. It is a very important airport. It is gaining an increasing share of the Washington market. FAA expects that to continue. So I do not have any question in my mind in terms of the public interest here, the thrust of your question, that there is going to be ample volume of business, passenger and freight, to absorb the capacity in this area.

I grew up in Los Angeles. I saw what happened there. We are in one of the few places in the country, Senator Exon, where our airport capacity is not saturated. We have got a little bit of room to grow here still, and that is not true of a lot of places in this country, and I believe we are going to need every bit of it, BWI, Washington National, and Dulles, and this legislation will provide a means for getting on with that job with good policy direction and with assured financing by being able to tap the private market.

Senator EXON. Well, given that as the situation, I think you make a good statement. Would it be possible in your opinion to

have some kind of a balanced representation between the competing interests here and have the decision instead of, say, three people not from this area appointed by the President of the United States who could be the swing votes if they could not agree on every detail that comes down before the commission for consideration. Is that feasible?

Mr. IGNATIUS. Senator, there are a lot of ways to skin a cat. Nobody should say there is only one way to do it and that there is no other way. I have to say again, and I will say it quickly, that a lot of time was spent coming up with this formula, and there were alternatives considered, and this was determined to be the one that would best serve all of the interests.

Senator EXON. Thank you.

Thank you, Mr. Chairman.

Senator TRIBLE. A number of concerns have been raised about the legislation. It is very difficult to reconcile those and it is difficult to respond because the opponents take this and that concern, even though they speak to entirely different dimensions of this total transaction.

Let me just say a couple of things to complete the record and to respond to Senator Rockefeller's earlier question. Only the air carrier slots are frozen under this legislation. The FAA would be able to increase or decrease the number of commuter and general aviation slots. Is that not correct?

Mr. IGNATIUS. I believe that is correct. I said I wanted to respond more fully for the record.

Senator TRIBLE. I am sure that is correct. I will answer my own question.

Mr. IGNATIUS. We will not respond for the record, then.

Senator TRIBLE. Now, Senator Ford's line of questioning tended to advance the proposition that Washington National and Washington Dulles should be separated in their operation, and operated by two different authorities. Now, that was an option, of course, considered by the Commission, and for a host of reasons it was rejected. I would like to give you an opportunity to respond. Some of the witnesses have pointed out that there is a synergism, that there are very definite management advantages by keeping those two airports together. Would you respond to Senator Ford's thrust and set forth if you will for the record why you think these airports should be operated together?

Mr. IGNATIUS. First, historically and up to the present there has been a financial relationshp between the two that most people thought was necessary during the period when Dulles was developing, and so they were operated insofar as landing fees were concerned on a consolidated cost basis. Other costs were handled separately, and Dulles costs were included for determining other services. But the landing fee, if you will, was cross subsidized. I believe, however, Mr. Chairman, that the reasons for that cross subsidy are diminishing with the passage of time. Incidentally, the arrangements for the consolidated costing and the so-called cross-subsidized landing fee come to an end in 1988. Whether that will be continued after that, I do not know, but the reasons for continuing it would be quite different today and in 1988 than they were a decade or so ago when it was started.

Senator TRIBLE. Now, if those advantages are lost and the costs and charges increase, who will bear the burden?

Mr. IGNATIUS. Well, the airlines do, and ultimately the passengers and shippers do. No business can operate if it does not cover its costs.

Senator TRIBLE. So we can eliminate those advantages as they exist, but the people are going to have to bear the added cost?

Mr. IGNATIUS. Exactly; passengers and shippers would pay more. The other reason that was advanced by some of the commission members, and I concurred in some of these comments, was a kind of policy continuity as between the two airports, in order to effectuate the shift that would inevitably take place over time. It was thought that single management would do this.

The third reason was that there are some savings involved. If they were operated together, you would have one executive and administrative structure rather than two, and it would be more efficient, less costly if it were done that way. I think those were the three reasons.

Senator TRIBLE. I thank you. You know, we have heard a lot about the Maryland interest and Virginia interest and District of Columbia interest. Perhaps what we ought to really focus on is the national interest. It seems to me that the national interest clearly argues for this legislation. You are uniquely well suited to talk about a national perspective. You represent airlines that serve people all over this country. From that perspective, how do you view the arguments made by our friends from Maryland that this legislation would place BWI at a competitive disadvantage? Your own constituents use BWI.

Mr. IGNATIUS. Well, first, BWI is doing very well. As I said earlier, its growth has been exceptionally good, and it is expected to continue, and I am delighted to see that. The Maryland people built a wonderful airport, and it is serving a very, very, important purpose. The Maryland people have raised several questions. One is the question of whether this transfer price, $47 million, is fair and reasonable.

I have already spoken to that when I said at the outset that there are some $284 million of capital that has been expended for these two airports, all but $47 million of which have been paid out. In addition there is $33 million approximately of unfunded pension liability, so that it is not $47 million, it is a much higher figure, but at any rate that is one of the points that they mentioned.

The second one is that they somehow feel they can compete against Dulles because their own proposal would transfer Dulles to a Virginia authority. They have said that they believe in competition, and presumably they would feel they could compete against Dulles or they would not have advanced the transfer to Virginia idea if they felt otherwise.

So that what remains then presumably is concern about a linkage between National and Dulles that would somehow confer a benefit on Dulles to the detriment of Maryland, and as I have tried to understand their argument, it seems to me it comes down to two considerations.

One is the cross-subsidized landing fee, which tends to produce a somewhat lower landing fee at Dulles than would be the case if the

Dulles landing fee were based solely on Dulles costs. Now, I have said earlier that the arrangements that resulted in that expire in 1988, and the reasons for it in 1988 are going to be quite different, it seems to me, than they were at the time it was set up. But I need to say something else. Airlines obviously are interested in landing fees. They want them to be as low as they properly and possibly can be. We are not looking for ways to spend more money that we are going to have to pass on to our customers. But that is not the only reason that determines a decision whether to serve airport A as opposed to airport B. There are many, many other considerations of far greater consequence than simply the landing fee. As I say, that does not mean the amount of the fee is unimportant, but it is not in and of itself determinative.

The other concern that Maryland, as I understand their argument, seems to have is that this linkage as between National and Dulles would somehow disfavor Maryland because it would permit the new authority to somehow entice airlines to locate service at Dulles by promising them certain benefits at National. It is not clear to me what the latitude for providing those benefits would be. The legislation freezes in concrete the 37 slots. What airlines want is more slots at National but there are not any.

It is frozen at 37. So I do think that one needs to think a little bit more about these concerns. We are grateful that there is Baltimore-Washington Airport. It is an excellent airport. And I said earlier that I believe the kind of demand that is forecasted for this area will be ample to satisfy the airport economic requirements at Dulles, National, and BWI.

Senator TRIBLE. I would add to your response that your own studies, the studies of the Air Transport Association, indicate that landing fees represent just 2 percent of the total airline cost. In the great scheme of things, although that is a factor, it is not a decisive factor.

Mr. IGNATIUS. You are quite right. The tail would be wagging the dog if you made a decision solely on the basis of the 2 percent of your costs and not the other 98.

Senator TRIBLE. In determining the composition of a governing board, the commission considered the fact that these airports are located in Virginia, and that most of the people that use these airports are traveling to or from Virginia and the District of Columbia. I think those are important considerations in determining the composition of the governing authority.

I note with interest the concern that you have expressed about the inability of an equally weighted authority—equally weighted between Virginia, Maryland, and the District of Columbia—to provide the kind of effective and efficient management that you deem necessary.

Mr. IGNATIUS. Yes, we are afraid of a stalemate there.

Senator TRIBLE. Gentlemen, thank you very much. I have no further questions. I thank you for being here this morning.

Mr. IGNATIUS. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF PAUL R. IGNATIUS, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, AIR TRANSPORT ASSOCIATION OF AMERICA

Mr. Chairman and members of the Committee, I am Paul R. Ignatius, Chairman of the Board and Chief Executive Officer of the Air Transport Association of America [ATA], whose member airlines constitute the major segment of the nation's airline industry. I am accompanied by Norman J. Philon, President, and James T. Murphy, Vice President, Airports and Materials, ATA. We are pleased to offer our views on S. 1017 providing for the lease-transfer of the Metropolitan Washington Airports to an independent local airport authority.

At the outset, I want to state that the member airlines of ATA support Secretary Dole's and the Administration's initiative to transfer Washington National and Washington Dulles International Airports to a local authority. We have one significant amendment to offer which I will discuss later in this testimony. This hearing also provides an opportunity to recognize the fair-handed and informed manner in which Governor Linwood Holton conducted the months of work of the Commission whose recommendations led to the pending legislation. I was pleased to serve as a member of the Commission. Secondly, I want to emphasize that our support of the transfer legislation should not be construed in any way as criticism for the manner in which the dedicated, professional personnel of the Federal Aviation Administration have operated these two vital airports through the years.

It is apparent to all who use these airports that expanded and modernized facilities are needed at both National and Dulles Airports. Improvements to the road system and public parking facilities at National Airport are long overdue, as is a reasonable linkage of the Metro Rail station to the terminal facilities. The North Terminal and portions of the Main Terminal at National need immediate refurbishment to meet current demand, and baggage handling facilities throughout the airport are generally inadequate.

The dramatic growth at Dulles International Airport requires immediate development of more passenger handling facilities to meet the ever-increasing level of medium and short-haul flights. The proposed construction of the mid-field terminal is a necessary step to accommodate this type of traffic. As this airport continues to grow—and it will—more extensive facilities, in addition to the mid-field terminal, will be required to meet increased demand. Public parking facilities at Dulles have been considerably expanded, but additional areas will be needed because the use of automobiles by the travelling public is the predominant mode of transportation to and from the airport.

Faced with the current federal deficit, we believe that the administration and Congress will find it difficult to appropriate the large sums of money necessary to meet these capital requirements both now and in the future. Access to the traditional funding sources available to all the other airports in the United States appears to us to be mandatory if these two airports are to meet the demands being placed upon them in a timely and efficient manner. The proposed transfer to a local authority would make this possible.

After careful consideration of many factors, particularly the need to modernize and improve Washington National and Dulles International Airports, which with Baltimore-Washington International Airport are essential to meet air transportation's rapidly growing requirements, we have concluded that this legislation is necessary and should be enacted. It assures the establishment of policy continuity for the users and will also provide for more responsive and timely expansion and modernization of critically needed facilities at both airports.

The amendment that ATA recommends consists of the deletion of section 7(a)(4)(2). Section 7 of the bill provides that the current rules and regulations of the Metropolitan Washington Airports (14 CFR 159) would become the regulations of the new airports authority upon transfer and would remain in effect until modified or revoked by the authority under its own procedures. Three exceptions are made in the bill with respect to the transfer of Part 159. ATA believes, and the Department of Transportation concurs, that one of these exceptions should be amended, specifically that pertaining to 14 CFR 159.40.

Part 159.40 sets forth the nighttime noise limits for landings and takeoffs at National Airport. The bill before you would freeze the substance of this rule for the 35 year lease term. ATA recommends the deletion of this language in section 7(a)(4)(2) and urges instead that the responsibility for considering changes to the nighttime regulations at National Airport rest with the new airports authority.

I would like now to turn to an aspect of the transfer which has sparked some interest. This involves the question of whether the financial arrangements specified in the legislation adequately compensate the federal government.

It is important to note in this regard that the legislation requires the new authority to operate National and Dulles as "primary" airports, which are defined in the Airport and Airways Improvement Act of 1982 as commercial service airports. This legislation ensures that National and Dulles will remain as airports in the future. This was a key point in the deliberations of the Holton Commission, and the financial arrangements contained in the legislation reflect the continued use of the two airports as airports and not something else.

Through the years, airport users have paid for the annual operations and maintenance costs of both airports, and all but $47 million of their acquisition and capital development costs. The legislation stipulates that this remaining balance of federal debt will be paid off with interest during the course of the lease. The member airlines of ATA are fully prepared to pay their full share of such costs. We do not, however, want to pay for the airports twice. In summary, these airports are not being given away by the federal government, but are being leased to a local authority which must continue to operate them as commercial service airports.

In conclusion, ATA believes that this bill offers benefits for all parties of interest. It puts into place a locally based airports authority vested with the power to finance necessary facilities at both airports without burdening the federal budget process. It lays the base for what should be a stable and efficient policy framework within which adequate planning can be accomplished. The ATA supports the bill as written except for the section which should be amended in the manner previously indicated.

Mr. Chairman, this completes the ATA statement. We would now be pleased to address your questions.

(The following information was subsequently received for the record:)

QUESTIONS OF SENATOR HOLLINGS AND THE ANSWERS

Question. Mr. Ignatius, in your statement you cite the need for expanded and modernized facilities at both airports as one of the airline industry's foremost concerns. Why do you believe that a local authority would move any quicker to make those improvements than the Federal government could by passing S. 1110?

Answer. I have no reason to believe that a local authority could provide the necessary financing for facility, improvements of National and Dulles any more quickly than the federal government could if S.1110 was passed. I belive, however, that a long range mechanism which would provide access to private financial markets is the best path to follow. Certainly, immediate facility needs would be adequately addressed if the $250 million provided for in S. 1110 was forthcoming, but in the out years of this century and beyond the year 2000 more, and, perhaps equally expensive, projects will be required and the proposed authority would be better positioned to provide the necessary stream of financing.

Question. You state that you believe it will be dufficult for the Congress to appropriate the monies needed for improvements at the airports. In light of the huge trust fund balances and the fact that $3 million surplus exists, how can you claim the money is not available?

Answer. The ATA has been at the forefront advocating the full funding of the authorized amounts provided for in the Airport and Airway Improvement Act of 1982. Regardless of these efforts, however, the Administration and Congress, in light of overall bridgetary policy, have been unable to consistently provide full funding for safety and capacity enhancements.

In view of the deficit and overall budget meilings, I simply am not optimistic that adding $250 million in budget outlay authority will be looked upon with favor in the House and Senate Appropriations Committees. Additionally, this one-time grant to two airports far exceeds the cumulative amounts of federal aid given to any one airport since the Trust Fund's inception in 1970. I sincerely believe that airport sponsors throughout the country would express immediate opposition to such a grant.

QUESTIONS OF SENATOR ROCKEFELLER AND THE ANSWERS

Question. In a report dated July 9, Salmon Brothers compared the costs to airport users under different assumptions about the transfer price. If the price is $47 million, undertaking the $240 million of airport improvement results in an average cost per enplaned passenger of $9, with a $341 million price—the figure used by the Grace Commission, the average cost per passenger is $11.95. These are combined figures for the two airports, but even for Dulles alone, the costs differential does not look that great: with a $341 million price, costs differential does not look that great:

with a $341 million price, costs per passenger average about $24, compared to $18.73 under a $47 million price.

Are these cost differences large enough to affect the growth plans at either National or Dulles, or do the airlines think they could be absorbed? How do the average cost figures estimated by Salmon Brothers compare to the current cost figures at these airports, as well as those of other airports (including BWI)?

Answer. The alternative costs per enplaned passengers developed by the financial consultants were, of course, develped solely on capital and acquisition costs and do not include recurring annual operations and maintenance expenses which will increase those costs.

While there might only be a $2.95 difference in these figures if the transfer cost was $341 million rather than $47 million, I have two basic problems with the premise.

First, National and Dulles are currently handling approximately 9.5 million enplaning passengers. The $2.95 difference aggregates to $28 million per year at the 9.5 million enplanement level and over the 35 year lease term this would reach a total of $980 million. Senator, this is an enormous additional cost if the Grace Commission's $341 million figure is used.

Second, as I have previously stated the total acquisition and capital development cost of the two airport was $284 million of which all but $47 million has been repaid—principally by the airlines. It simply is not fair to ask the user's to pay more than the $47 million since the new authority must continue to operate the two airports as airports. They are not candidates for wholesale commercial development.

It is difficult to imagine that our members would support S. 1017 is the event the transfer cost went from $47 million to $341 million, but I cannot speculate as to individual airline marketing decision if that unfortunate event came to pass.

The last part of your question dealt with current costs per enplaned passengers. Taking the FAA's operations and maintenances expenses for the two airports and dividing that number by the enplaned passengers gives you a figure of $2 at National and about $7 at Dulles. I want to emphasize that this is a very rudimentary evaluation and, of course, reflects that obvious lack of recent capital expenditures at both airports. Unfortunately, I do not have the same data for BWI.

Senator TRIBLE. Next there will be a panel of witnesses representing the important political subdivisions in northern Virginia, Jim Moran, the mayor of the city of Alexandria; Jack Herrity, the chairman of the Fairfax County Board of Supervisors; John Milliken, chairman of the Arlington County Board; and Ann Kavanagh, representing the Loudon County Board of Supervisors.

Gentleman and lady, you are most welcome.

STATEMENTS OF JACK HERRITY, CHAIRMAN, FAIRFAX COUNTY BOARD OF SUPERVISORS; JAMES P. MORAN, JR., MAYOR, CITY OF ALEXANDRIA; JOHN G. MILLIKEN, CHAIRMAN, ARLINGTON COUNTY BOARD; AND ANN B. KAVANAGH, LOUDON COUNTY BOARD OF SUPERVISORS

Mr. HERRITY. I am Jack Herrity, chairman of the Fairfax County Board of Supervisors, and it is certainly a privilege to be before this committee and you, Senator Trible.

First of all, let me state at the outset that the Fairfax County Board of Supervisors have unanimously voted to support this significant legislation. The county believes that the transfer of these airports to a regional authority is long overdue, and is the first key step in the development of a stable, long-term, and balanced operating and fiscal plan for these airports.

We have monitored the work of the Holton Commission and the subsequent development of this legislation closely, and feel that the proposed transfer is in the best interest of all airport users. I am sure that by now you have heard a variety of testimony both in

support or in opposition to the legislation. My remarks will be brief, and I would like to emphasize the following key points.

One, Federal ownership of these two airports, the only ones in the country so owned, has prevented proper planning and funding of needed airport improvements. As a result, airplanes have not been able to operate effectively, and a continued passenger ceiling will lead only to service deterioration.

Two, National Airport is a disaster, and no Federal funds have been forthcoming to modernize it in terms of providing adequate facilities for its use. Continued Federal ownership and a lack of policy and funds would result in National Airport becoming an eyesore and perhaps one of the most difficult in the country from a user's perspective.

National Airport needs a totally revised and expanded highway access system, improved access to and from Metrorail station, and increased parking facilities. We seriously question whether Congress will ever appropriate the needed funds to undertake these improvements in an expeditious manner.

Three, the proposed legislation freezes the slot while removing the passenger cap. This will be instrumental in bringing quieter and new generation of planes at National Airport.

Four, Dulles International Airport, which has a tremendous expansion capacity, has had its growth handicapped by lack of funds for additional terminal facilities. The fate of Dulles and National Airport are inextricably intertwined and linked to the adequate funding needed for a balanced operation.

The county has taken all the steps necessary to ensue that land use around the airport are compatible with existing and future operations at Dulles Airport. An increasing number of corporations and high tech firms located in western Fairfax County are citing proximity to Dulles Airport as one of the factors in their site selection.

Five, the recent growth of Dulles Airport is encouraging but satisfactory service not only for a great number of the region's residents but for people in other parts of the country as well have been denied because of inadequate terminal facilities.

Six, contrary to what has been stated before, the transfer of Dulles Airport as proposed is not a free lunch or a free gift. Instead, the transfer would occur at a price which represents the remaining debt. All we are asking is for Dulles Airport to have a fair chance to compete and grow to serve a part of this region. It cannot be so done under Federal ownership.

Maryland's opposition to this legislation, because of the State's interest in BWI, is probably the best evidence that continued Federal ownership of National and Dulles Airports is a handicap to the proper operation and growth of these airports.

Seven, Congress will have oversight and control. Since the slots are frozen at existing levels, the passenger cap is removed, and any changes can occur only with congressional approval.

Finally, let me say that a major part of what we are talking about here has to do with funding. With the critical Federal deficit problems confronting us, there is no evidence whatsoever that Federal funds in the amounts needed can be made available. The Federal funding history associated with the region's Metrorail system

is the best evidence of annual uncertainties over funding amounts and timing which have led to cost escalations and delay in service availability to our citizens.

The same uncertainties have plagued these two airports, and the increasing air travel demands in this region require that these uncertainties be forever removed. It will take these two airports operating in a manner and in a context similar to all the other airports of the country. That is, in some ownership other than the Federal Government.

I hope the subcommittee and Congress will move to approve the legislation so that users of these airports from around the country and overseas can be served better. It is time that we deal with the very disastrous operations at National and bring to fruition the vision and foresight that led to the construction of Dulles Airport.

Thank you for the opportunity to speak on behalf of Fairfax County and its 660,000 citizens, Mr. Chairman.

Senator TRIBLE. Mr. Herrity, thank you for a fine statement.

Mayor Moran, let me at the outset welcome you here today and congratulate you on your election as mayor of Alexandria. I wish you success and happiness in your new position.

Mr. MORAN. Thank you, Senator Trible. It is a pleasure to be here today. My purpose today is to join with my other colleagues in giving you our perspective on the transfer of National and Dulles Airport.

Alexandria lies immediately adjacent to National Airport, and that provides many advantages to all of our citizens, but it also means that our citizens are subjected to 269 ear-splitting turbojet takeoffs every single day. They come at an interval of every 3.2 minutes from 7 a.m. to 10 p.m. So that is a real disadvantage.

I will address the specific provisions of S. 1017 which concern the composition of the membership of the authority, the operating policies at National, and facilities development at both airports.

We believe that Maryland, Virginia, and D.C. and at-large representation on the 11-member airport authority as provided in S. 1017 is appropriate and necessary. Discussing the matter last fall, our city council noted several examples where balanced representation on transportation authorities has resulted in frequent deadlock and inability to execute the functions of which the authority was created.

Equal representation simply will not work. It is our view that to empower such a body as a regional airport lessee and operator would be a serious mistake. With due respect to our Maryland neighbors, we cannot agree with the proposal by Governor Hughes and the Maryland congressional delegation that Dulles be split off and that National Airport be leased and operated by a balanced nine-member authority.

Policy direction and management by such a body would be impractical and simply unworkable. We strongly endorse the provisions of S. 1017 which require that members of the authority shall not hold elective or appointed political office, and that is coming from politicians, and I think we all agree, and that accept for the Presidential appointee they must reside within the Washington SMSA.

We believe these requirements are appropriate and necessary. The city of Alexandria is particularly concerned with the operating policies at National Airport as they relate to aircraft noise. During the 1950's and early 1960's, Alexandria was impacted by frequent takeoff and timeout noise from twin engine DC-3's at a decibel level about the same as we experience today from just air taxi and general aviation aircraft alone.

But the waterfront area of the city was then heavily industrial. Today our eastern industrial area has been transformed into offices, waterfront parks, and a popular residential area known as Old Town, which I am sure all of us are familiar with. That waterfront and Old Town area are impacted, as I say, by 269 takeoffs every day. That is an intolerable burden for all of those residents.

Because of this, we are deeply concerned with the provisions of the bill that address the hourly slot limitation and the night turbojet curfew, although we accept the provisions which freeze the hourly slot limitation at National at 37 turboprop operations per hour and maintain the present curfew at 10 o'clock.

We do so with reluctance in the hope that the air carriers will gradually fill more of their slots with new, quieter B-757's.

Finally, I would like to address the issue of facility development at Dulles and National Airports. Recent FAA studies detail possible structural changes of the two airports, including a midterminal concourse at Dulles for quick turnaround short haul flights and a multilevel restructuring of the north terminal access, enlargement of vehicle flow, and expanded parking at National.

We feel that the upgrading of those two airports is closely interrelated because of their operational linkages. S. 1017 will allow for and encourage this facility development in a fully coordinated and rational way. The counterproposal by Maryland to separate Dulles from National would inhibit, not altogether preclude, coordinated development.

Abandonment of S. 1017, leaving the funding of congressional appropriation, will do nothing but perpetuate the present deadlock. At this point, I'd like to insert a pet peeve of mine that I would also like you to consider.

On any normal day at National you can see many families having to drag their luggage for several hundred yards because they haven't been able to find a parking place within a reasonable walking distance, and at the same time you have got a rather expensive parking facility immediately adjacent to the terminal that is usually only half full.

And the reason it is half full is because it is designated exclusively for the Congress or diplomats and Supreme Court Justices, I believe. I do not think the Supreme Court Justices themselves are the problem.

Senator TRIBLE. What exactly are you saying?

Mr. MORAN. We are suggesting that the egalitarian sense of the Congress might be employed in this instance to maybe limit the size of that parking lot or even eliminate it entirely. I suspect that this may not be a terrible popular idea among some Members of Congress now with many diplomats, but it certainly would be, to the average citizen.

Senator TRIBLE. Mayor Moran, please do not unduly complicate our task.

Mr. MORAN. I think oftentimes you do have congressional staff aides and so on using that parking lot, and I am not sure it is the best use of that very valuable land. At this point, I think it would be best though to go on and summarize the main issues of our testimony.

The point is that S. 1017 is a good bill for Alexandria. We need it and want to see it enacted in its present form. It was a well crafted bill which was carefully compromised among many different interests. If enacted, it will break a longstanding deadlock on air service in the National Capital region.

The composition of the airport authority as provided by the bill is appropriate and necessary. Other options in our opinion are unworkable. Freezing both the present air carrier slot limitation and the nighttime decibel limit is of the utmost importance to Alexandria and our other jurisdictions here.

S. 1017 provides the mechanism to accomplish facilities development at both airports.

In closing, I would like to thank you, Mr. Chairman, and the members of the committee for allowing us the opportunity to present our city's views, and we have our best wishes in this difficult task to bring this legislation to a successful conclusion.

Senator TRIBLE. Thank you.

Chairman Milliken.

Mr. MILLIKEN. Mr. Chairman, my name is John Milliken. I am chairman of the Arlington County Board.

As you know, National Airport is situated in Arlington. In a very real sense National Airport is Arlington's neighbor. It has not always been a good neighbor, but despite that, and perhaps because of that, the Arlington County Board has unanimously endorsed the concept of transfer of Washington National and Washington Dulles International Airports to a regionally controlled authority.

In fact, we believe that local control is long overdue. As one of the jurisdictions in northern Virginia, we in Arlington are affected by the ownership and operation of both of the airports. As a neighbor to National, we are among the jurisdictions with our neighbor, Alexandria, most immediately and significantly affected by the daily operations of National Airport.

In addition, we find ourselves in a position that is unique, since the airport is under Federal ownership, we are unable as a local jurisdiction to exercise the full taxing authority that most jurisdictions have over their local airports.

As a matter of fact, while we can levy certain taxes, we have not even the same rights that were accorded to both Loudoun and Fairfax in their relationship with Dulles. We are told that it would take an act of Congress to give us those rights, and since it is before the Congress that we are speaking today, we are here to request that you consider a minor amendment which would give Arlington the same taxing powers vis-a-vis National that Fairfax and Loudoun enjoy in their relationship with Dulles.

So far as the daily operations of National, the Arlington Board has reviewed our longstanding positions in light of the legislation,

and we believe that there are certain operating policies that you need to address in the legislation that is before you.

As a general proposition, we support the underlying thesis of the legislation. Let me reinforce that statement. We support the thesis of the bill that is before you. We are willing to put our faith in the fair and sensible judgment of a local authority to govern the day-to-day operations within the broad policies set by the legislation itself.

It is therefore to these broad policies that we would like to address our comments, and there are several. First, the so-called freeze on operating slots at National Airport. We are willing to see the current number of air carrier operating slots fixed at the 37 which are now allowed per hour for the time of the transfer.

We would like to make sure that that is spelled out clearly in the legislation since less than 1 year ago airline operators were requesting what was known as flexibility, that is, the right to operate more than 37 aircraft in certain hours so long as there were less than 37 aircraft in adjacent hours.

We do not as a county support or favor the flexibility rule, since we believe that 37 is the outside maximum of hourly operations that should be allowed at National, and we would like to see that matter cleared up if it is not in the legislation.

Two, there is currently nightly noise limit at National Airport between the hours of 10 p.m. and 7 a.m. that prohibits operations that create noise over specified decibel levels. When the Department of Transportation adopted this rule in 1981, Arlington and other local jurisdictions as well as our citizens believed there would be an absolute curfew on air carrier operations at those hours, but with changing technology and the introduction of new stage 3 aircraft, that belief was proven to be wrong.

Although we in Arlington would like a curfew for those hours, we are willing, in the spirit of compromise, to agree to the current limits as a ceiling on noise. However, the authority should have the right should it choose to exercise it to lower the limit below that ceiling in the future if it feels that that is the appropriate thing to do.

Three, the National Environmental Policy Act has applied to both National and Dulles Airports because they are federally owned. The act contains provisions for environmental review that allow for broad citizen and local participation in the process of constructing additional facilities at the airports.

Since the authority will have the right to raise revenue bonds, thus funding projects which would be outside the purview of Federal environmental review, the legislation should determine that all future major projects at either of the airports should be subject to the conditions of the National Environmental Policy Act.

Four, the legislation as introduced would prohibit the appointment of those who hold elected or appointed political office. We firmly believe that the Governors and the mayors and the President of the United States should be free to appoint whomever they might wish without regard to their status as elected officials.

Fifth, we are concerned by language in the legislation that seems to allow powers of eminent domain that are broad enough to create, we think, possible disputes between the authority and local

jurisdictions, and we would like to see this looked at and appropriately limited. We do not think that this is a major, but merely a technical matter that we would like to draw your attention to.

And finally, I would like to comment on the issue of the passenger ceiling. Arlington County has long favored a passenger ceiling. In fact, we have favored a passenger ceiling of 14 million per year. The current ceiling at National is 16 million, and again in the spirit of cooperation it seems to make some sense to us to have a passenger ceiling determined by the authority up to that current 16 million limit.

We understand all the arguments that passengers do not make noise, but we have additional concerns related to the ability of the road network to handle additional airport traffic and, of course, the ability of the terminal itself to accommodate a number of passengers in excess of 16 million.

We have no doubt that Dulles is beginning to capture its share of the passengers, and we encourage that. We believe a passenger ceiling at National, however, continues to make some sense. These are the major issues which we feel need to be addressed. Let me emphasize again, though, I have talked about the details and the specifics. Let me come back to my first point, which was the strong support that the Arlington County Board has for the notion of transferring the authority to operate these airports to a local body.

Thank you, Mr. Chairman, for giving us the opportunity to share our views with you.

Senator TRIBLE. Ms. Kavanagh.

Ms. KAVANAGH. Thank you, Senator Trible.

My name is Ann Kavanagh, and I am from the Loudoun County Board of Supervisors, so chosen because I represent the Dulles District wherein lies Dulles Airport.

The county board of supervisors views both National and the Washington Dulles International Airports as major resources for the Commonwealth of Virginia, as well as for the Washington metropolitan area. The Washington Dulles Airport facility is a growing center for both national and international flights which positively affect regional employment and business growth opportunities and certainly is impacting on Loudoun County's economic growth and development.

Nevertheless, the construction of a new midfield terminal at Dulles is essential in order to continue this growth and to enhance new growth opportunities. This would allow air carriers to establish new hubs and better serve the travel demands for the metropolitan region.

The board of supervisors welcomes Secretary of Transportation Elizabeth Hanford Dole's objective of creating the Holton Commission to identify how the FAA divestiture of these two airport facilities could be implemented. Many of the Commission's recommendations, including the transfer of the airports to an independent authority, have been incorporated into the pending legislation in the Senate and House of Representatives. As a result, the board continues to strongly endorse the divestiture.

On April 1 and July 1 1985, the Loudoun County Board of Supervisors unanimously supported in concept proposed congressional

legislation entitled Metropolitan Washington Airport Transfer Act of 1985.

When the legislation is adopted, the board would have some questions which concern the level of county involvement in contributions to policy decisions regarding air traffic noise, bonding, water and sewer services, fire and emergency rescue, and emergency policy protection, roads, and other related topics.

Therefore the county would also welcome the opportunity to work with appropriate Federal, regional, and State agencies in the development of regulations implementing such an act.

The board and residents of Loudoun County thank your committee for the chance to testify in support of this divestiture proposal which represents statewide and regional interests and impacts. Again, our thanks.

Senator TRIBLE. Ms. Kavanagh, thank you very much. I am reminded of the testimony of Betty Ann Kane, who testified at the earlier hearing. She said, for the politicians, it seems that this is a battle over dividing and conquering, but for the people of our metropolitan area, whether they live in Maryland, Virginia, or the District of Columbia, they have the same kinds of concerns.

They want airports that are effectively and efficiently run, airports that are safe in their operation. They are concerned about noise. I think the transfer of these airports to a local authority composed of citizens from our area, from Virginia and from the District of Columbia and from Maryland will ensure that those airports are operated in a manner which is far more sensitive to the concerns and issues that you have enumerated here today as well as in a far more effective and efficient fashion serving the transportation needs of this Nation.

I thank you very much for being here.

Next, we will have a second panel, composed of Mr. Carrington Williams, representing the Washington Dulles Task Force, John Oberdorfer, representing the Coalition for National Airport, and Frank Ikard, representing Airport Policy Task Force of the Greater Washington Board of Trade.

Gentlemen, you are most welcome. We thank you for being here.

STATEMENTS OF CARRINGTON WILLIAMS, WASHINGTON DULLES TASK FORCE; JOHN OBERDORFER, COUNSEL, COALITION FOR NATIONAL AIRPORT; AND FRANK IKARD, AIRPORT POLICY TASK FORCE OF THE GREATER WASHINGTON BOARD OF TRADE

Mr. WILLIAMS. Thank you, Mr. Chairman. I am Carrington Williams. I am chairman of the board of the Washington Dulles Task Force. Senator, as you know very well, the task force is a nonprofit Virginia corporation with a board of directors, a volunteer board of business and community leaders throughout this area. They are from Maryland, they are from the District, they are from Virginia.

The object of the board has been, and of the task force over the years, served by very competent small professional staff. Their president is Tom Moore, a former aide to Congressman Frank Wolf. But the purpose of the task force is the promotion of better

air service in the greater Washington area, as you well know, Senator.

I think we bring a perspective to this bill, Senate bill 1017, which is somewhat different, perhaps, than most others, in that this is a volunteer group which saw a vacuum and on its own initiative said, we ought to do something about this, just as in the case of the Dulles access road, which was properly not opened to commuters.

Virginia said we ought to do something about this, and so the Commonwealth of Virginia put up, passed an authorization for a bond issue supported by Fairfax County with money, and the Dulles parallel lanes have been built. And this is the kind of initiative which we think fits in with the object of this bill, of which you are the chief sponsor, Senator.

Now, if I may just summarize briefly what my statement says, we appreciate this opportunity to be here, of course. We are pleased to be here. We feel very strongly that something has to be done, and when I say that, I want to focus on what we see as the issue. The issue is better air service in the greater Washington area. It is not competition between airports. That is a fringe issue, but that is not the central issue. The question is, what does the public deserve and what is the public getting, and we say that they are not getting what they ought to get from the two airports which are owned and operated by the Federal Government.

The principal problem, Senator, is that of facilities, and the question is, how do you provide the facilities. You give the facilities there, and it is not up to the airlines to do that because the two airports here are owned, National and Dulles are owned by the Federal Government, of course, but as opposed to BWI, which is owned and operated by the State of Maryland, and very capably so, Maryland is doing exactly what they should do with BWI, but with the two airports, National and Dulles, we have, and I say we, the public better, we have been hamstrung because for whatever reason the appropriations have not been made to provide the capital facilities.

That is the central issue here today that we want to make, and that issue ties up with the issue of federalism, Senator. The question is, the solution of this problem, is it basically and primarily a national problem, or is it basically a local regional problem? We say it is a local regional problem, and therefore in the sound principles of Federalism it ought to be done primarily by local people, but this does not take the Federal Government out of the picture because you have got a lease on this to this authority if the bill passes, and it is up to the authority to obey that lease or be forfeited and have it go back to the Federal Government.

The structure of the entity we think is sound. It has been worked out by compromise. The bonding authority is provided in there. Senator, you know, I am sure I was for 10 years a member of the Virginia House of Delegates, and I had the unwelcome job of being on the finance committee, which means you raise the taxes but you do not dispense the money.

The appropriations committee does that. And it was not a very popular job, but I had to learn how to make the most with the least, and Virginia is very conservative fiscally, and I am, too, but I had to learn in the constitutional revision of 1969 that we had to

do something about pay-as-you-go in Virginia, and we did open it up, and we have bonding authority, and the parallel here is very close. You have got—you cannot pay as you go from the proceeds of the operation of these two airports.

We found, for example, in terms of the bonding authority—I will give you a prime example. When Piedmont Airlines was considering a hub, was it going to be BWI or was it going to be at Dulles, now, they could not go to National because there were not the facilities there. Piedmont talked to us, and we talked to them, and we begged, beseeched, did everything we could, but we could not match what Maryland offered in a $21 million terminal and hangar over there at BWI. Maryland did exactly the right thing.

They beat our ears off, because the Federal appropriations process did not meet the needs and they could not meet the needs, and I say in all sincerity the staff at the FAA—Mr. Helms then, Admiral Ingen, James Wiley are superb people. They give the Government a lot more than they are getting paid for, as I am sure you know. But they have very strict constraints under which they can operate.

The question has been raised, has been addressed by policy and the continuation of this bill, and we think that is sound. The question has been raised about separation of National and Dulles. I only want to say and repeat, the two complement each other. As a matter of policy for the last 22 or 23 years they have worked together to address the noise problem at National, the overall problem of passenger surplus or shortage as it might be, and so they are an integrated pair of airports.

As far as BWI is concerned, it is basically a separate market from the Washington National and the Dulles markets. The question is, who is going to pay? In this situation I think that it is proper that the users pay for what they get, not the taxpayers. The profit each month that goes into the operation of National and Dulles is paid by check regularly to the U.S. Treasury every month. We say that that money should be turned around and used as a financing mechanism for the building of facilities.

I would like to close and just say this, Senator, that the pressing demand is for facilities at both National and at Dulles. BWI has done a great job of building facilities with their separate authority, the State of Maryland, and so forth. The other two airports have been hamstrung. We would like to be equal with BWI in funding mechanisms, so we are talking about a process here, and that is what we need to improve a great deal.

I can say you have got a budget problem in the U.S. Congress. We would like to help you with it. We would like to take this part of it out into this authority. I want to thank Secretary Dole and Governor Holton for the great job that they have done.

[The statement follows:]

STATEMENT OF CARRINGTON WILLIAMS

Madame Chairwoman, distinguished members of the subcommittee, my name is Carrington Williams and I am here representing the Washington Dulles Task Force [WDTF].

The WDTF is a nonprofit Virginia Corporation with a volunteer Board of Directors, composed of business and community leaders from Virginia, the District of Columbia and Maryland. Its purpose is to promote better air service at Dulles Airport.

It is nonpartisan. It has a small paid professional staff. Its main source of funds is the private sector and it receives an annual appropriation from the Commonwealth of Virginia.

I appreciate this opportunity to express the organization's strong support for S. 1017. Attached to my written testimony you will find a resolution in support of the airports transfer that was unanimously approved at the Task Force annual meeting in May, 1985.

TRANSFER OBJECTIVE—BETTER AIR SERVICE

Consistent with the purpose of the Task Force, the primary objective of the transfer of the Metropolitan Washington Airports should be to assure that the Nation's Capital and the Mid-Atlantic region have high quality, frequent and convenient air transportation. S. 1017 would achieve that objective by creating an entity whose sole reason for being is to obtain quality air transportation serving the Washington region.

I want to make it abundantly clear that Federal Aviation Administration [FAA] Administrator Donald Engen, Director of Metropolitan Washington Airports James Wilding and the Metropolitan Washington Airports' staff have done a superb job within the constraints placed upon them of meeting Washington's air transportation needs. It is clear however, that air travel in the Washington region is not the prime responsiblility of the FAA, the Department of Transportation, the Office of Management and Budget or the Congress of the United States, all of whom must deal with more pressing nationwide transportation policy issues. Air travel in Washington could be better. In part because of facility constraints, Washington is the only city in the top ten travel markets that has no major domestic airline transportation hub at its primary airports. As a result, travelers to and from the Nation's Capital are frequently required to change planes to reach their final destination instead of enjoying the convenience of nonstop flights.

The key question before you is who can best operate the Metropolitan Washington Airports for the benefit of Washington's air travelers? The architects of our federal system saw as the basic premise of government that those persons closest to an issue are most likely to develop a solution which best suits their needs and which will be effective in the long term. I am here today on behalf of the 475 Maryland, District and Virginia corporate and civic organizations who are members of the Task Force to suggest that we as airport users believe that an authority whose sole purpose is to meet the air travel needs of this community will do the best job of managing these assets on behalf of the residents of Washington and the people of the United States. If given the opportunity, the community, which depends on these airports for much of its commerce and livelihood, will promote them. You, your constituents and the people of this community will benefit from better air service.

The growth of the District, Prince George's County, Arlington County, Fairfax County, Montgomery County, Prince William County and Loudoun County depends upon the quality of air transportation provided to them. According to a major air travel survey over three-fourths of all air travel in Washington and Baltimore is unrelated to Federal business travel. Washington's National and Dulles Airports are gateways of commerce in this region. If they are not maintained and expanded the economy of the area will suffer. The Washington community has the strongest interest in outstanding air service here. The people of the United States who travel to Washington to petition their government will be better served if an attentive local authority, rather than a preoccupied national government, operates these transportation facilities.

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY STRUCTURE

To achieve the goal of frequent, high quality air service for the region, the proposed Metropolitan Washington Airports Authority must balance the interest of air transportation users, air transportation providers and the community served by National and Dulles Airports. Such an entity must be responsive to the needs and concerns of each of those interests, but it must be structured so that it may act decisively. The compromise hammered out by the Holton Commission meets these objectives.

We support the compromise structure of the proposed Metropolitan Washington Airports Authority with five representatives from the Commonwealth of Virginia, three from the District of Columbia, two from the State of Maryland and one appointed by the President of the United States. This structure assures that the interests of the people throughout this region are represented. The proposed seven vote majority for approving budgets and inssuing bonds will require a broad consensus

for major commission actions. The authority will be able to act decisively and responsibly. The limitations in section seven of the bill will permit the Government to reassert its control over the airports if the authority exceeds its mandate.

BONDING AUTHORITY

The new authority must have adequate flexibility to assure business-like management of the airports. The Metropolitan Washnington Airports should be as well managed as they are now, but the new entity should have the ability to obtain capital funding and make other policy decisions that assure the safe and effective operation of the airports in the public interest.

At Dulles for example, capital facility development is needed to better accommodate the growth in air travel that is occurring as a result of an improved economy, better airport access, the Metropolitan Washington Airports Policy and the economic boom in Montgomery County, Maryland and Northern Virginia. The traditional method to fund facility improvements at the airports is to seek a federal appropriation. Quick action on federal budget items is difficult to achieve, particularly in this time of tight budgets. But the need for facility improvement is real and growing. Washington National, at times becomes landlocked due to the need for improved highway access, subway linkage and automobile parking. If the need for terminal expansion capacity at Dulles and the need for better airport access at National are left unattended, travel to the Nation's Capital for people from all across the country will be less convenient.

The airports are unlike other governmental bodies because they provide service that is essential to commerce and generate revenues. Part of the flexibility that is needed to improve Washington's air transportation system is to provide that Metropolitan Washington Airports' revenue be applied to supporting capital investment through the bonding process This ability to issue bonds would make it possible for MWA management to be more responsive to changes in the airline industry and the air travel needs of the region. The Metropolitan Washington Airports should have the same ability to issue bonds to finance construction as other airports do nationwide. If the Reagan Administration is successful in limiting the use of tax free bonds for airport construction, those rules would apply at Washington Dulles and Washington National as well. Like other airports National and Dulles should be eligible for Airport Improvement Program funding.

CONTINUATION OF KEY METROPOLITAN WASHINGTON AIRPORTS POLICY PROVISIONS

We support the continuation of key elements of the Metropolitan Washington Airports Policy as proposed in S. 1017. The FAA would retain that authority which it normally exercises at other airports. The legislation would transfer to the proposed Metropolitan Washington Airports Authority those operating rules which would typically fall within the perview of an airport proprietor. These would include the nighttime noise standards and the perimeter rule in effect at Washington National. The legislation would freeze National's operating slots at the current 37 per hour as part of its provisions. We believe that continuing these key parts of the Metropolitan Washington Airports Policy defines the role of these two airports, assures National Airport's future, provides a stable base for airline planning and permits the transfer to occur in a sensible and organized way.

If a new operator were faced with developing a new Metropolitan Washington Airports operating policy as part of the transfer legislation, the process of obtaining approval for the measure would be much more difficult. Scrapping the policy would freeze carrier decisions about how to serve Washington, further delaying facility improvements and ignoring years of effort that went into the creation of the existing plan.

DCA AND IAD SHOULD OPERATE AS A UNIT

The Task Force strongly recommends that the Metropolitan Washington Airports continue to be operated as a unit. Together the two airports provide a full pattern of service to the Washington region. Washington National serves the high density traffic corridor inthe Northeast and provides the bulk of the short-haul traffic in this market. Washington Dulles has excellent service to the West, offers international flights and is growing to serve the short-haul market that is developing in the suburban counties near the airport.

Also, the Metropolitan Washington Airports Policy perimeter restrictions and noise limitations are based on a legal theory that presumes the airports will continue to function together to serve the Washington air travelers.

Transfer of one airport without the other would severely limit the ability of the operator of each airport to plan for its operation and development. The Metropolitan Washington Airports serve substantially the same market and decisions at one airport directly impact the other. This is not true of BWI. While Baltimore serves a small portion of the Washington area, the market for service at Baltimore is largely separate and distinct from the market in Washington.

BWI is located 10 miles from the city of Baltimore and 32 miles from the center of downtown Washington. By comparison Washington National is 3 miles from the center of town and Washington Dulles is twenty-three miles from the Potomac River Bridges. BWI serves as the primary airport for the Baltimore region, but plays a much less important role in Metropolitan Washington. According to the Metropolitan Washington Council of Governments [COG] Survey of air travelers taken at all three airports for all passengers in the Washington and Baltimore regions, 52 percent prefer National; 24 percent, Dulles; and 24 percent, Baltimore. Much of the urban gowth in the regions is occurring and is forecast to continue to occur in the area closer to Dulles than Baltimore, which suggests preference for Washington Dulles is likely to increase. Twenty percent of National Airport passengers surveyed by COG would have preferred to use BWI or Dulles. Of these, 75 percent would use Dulles and 25 percent would use Baltimore if convenient airline schedules were available.

The major problem currently facing the air transportation industry is airfield and airways capacity. Because of public concern over the environmental impact of airports it is difficult to site new airports and new airport runways. The Mid-Atlantic area including the city of Baltimore and the city of Washington currently has underutilized airport capacity, which means the area will be able to accommodate air travel growth well into the future. That bodes well for the economic growth in this region. Given the dramatic growth that has occurred since 1981 at both BWI and Washington Dulles and the continued dominance in Washington of National Airport, there is ample air travel demand to support all three airports. According to a recent BWI ad, Washington Dulles has grown by 40 percent since 1980, during the same period BWI grew by over 70 percent. Estimates of future air travel growth in the Baltimore and Washington regions for the year 2000 range from twelve million to twenty million enplanements. The higher estimate is probably more accurate given there were roughly twelve million enplanements at the three airports during calendar year 1984.

TRANSFER VALUE

There has been considerable discussion about the value of the assets being leased to the Metropolitan Washington Airports Authority. Ultimately, it is the air traveler that must pay for the airport facilities through concessions revenues, leases, landing fees and other charges. The $47 million hypothetical debt represents the balance of the reimbursement due to the federal government for the cost of constructing and operating the Metropolitan Washington Airports through fiscal 1985. The resale of these airports to an independent authority at a higher rate would represent a windfall profit to the U.S. Treasury and would drive up the cost of air transportation in the Washington region. The Metropolitan Washington Airports were built to serve the serve the needs of Washington air travelers and your constituents. Under S. 1017 they will by law continue to be operated for that purpose.

Imposing a high purchase price upon the newly created authority would limit its ability to finance badly needed improvements at both Washington airports. Some have suggested that it is unfair to the State of Maryland for the airports to be transferred at the proposed $47 million cost figure. Certainly, Maryland expects to recover its $176 million investment in BWI through revenues generated at that airport just as users of National and Dulles will pay over $334 million for the Metropolitan Washington Airports and needed improvements. Maryland made the investment in Baltimore Friendship Airport with the full knowledge that the Metropolitan Washington Airports were operated by the Federal Government and were financed with federal funds. It seems to me that transferring the airports to an independent authority and requiring that authority to finance construction using airport revenues places the Washington airports on a more equal footing with Maryland's BWI. If there has been an inequity, it has been to ask America's taxpayers rather than airport users to finance the Metropolitan Washington Airports.

S. 1110

The Task Force certainly applauds the goal of S.1110 introduced by Senator Ernest Hollings, which is to assure that the facilities that are badly needed at both

Washington National and Washington Dulles are provided to meet air transportation needs fo the Nation's Capital. If we could be persuaded that this legislation had a reasonable chance of passage, we could support it. However, given the current budget cutting mood of the Congress and the anticipated political outcry from airports across the country to such a large commitment of airport construction resources to the federal airports it is our considered view that S.1110 faces a very uncertain future. Also, while $250 million would meet the immediate construction needs of both National and Dulles Airports, the long range capital needs for Washington Dulles will far exceed this amount. We believe it makes sense to create a mechanism now to provide for both the short term and long term needs for capital at the Metropolitan Washington Airports.

PROCEED WITH FACILITY DEVELOPMENT

The most pressing need at Washington Dulles at this time is new terminal passenger handling capacity. Traffic growth at the airport and increased flights have created a need for terminal expansion and additional aircraft parking to serve the traveling public. The prospect of no additional operating slots at National and the creation of virtually a whole new market that has grown up near Dulles has stimulated interest by a number of airlines in proviing service here. Additional physical plant will be needed to accommodate that growth. Given the necessary lead time for major construction projects the day when expansion of Dulles terminal capacity is needed is upon us. Consideration of this transfer legislation should not delay the plan for construction of new Washington Dulles facilities. We strongly urge that a decision on the transfer be made as expeditiously as possible and that all ongoing development programs proceed without interruption. If Dulles development does not continue, the objective for better air transportation for the region will suffer.

I would be remiss, if I did not commend Secretary Dole for her leadership on the issue and thank Governor Holton and the members of his Commission for their hard work.

In closing I would like to ask the members of the Subcommittee to report S. 1017 for full Senate consideration at the earliest time.

Madame Chairwoman, I thank you again for the opportunity to represent the Washington Dulles Task Force here today. I'd be pleased to try to answer any questions you may have.

Senator TRIBLE. Thank you, Mr. Williams.

Mr. Oberdorfer.

Mr. OBERDORFER. Thank you, Mr. Chairman. I am testifying as the counsel for the Coalition for National Airport.

Accompanying me is Mr. Robert D. Zimet, who is senior vice president and general counsel of the Charles E. Smith Co. and serves as chairman of the Coalition for National Airport. We are similar in many ways to our friends on the left the Dulles Task Force. We're a nonprofit association. Our members are primarily hotel operators, trade associations, business managers, and high technology firms in Washington, DC, Virginia, and Maryland. We are all concerned about National Airport. We have attached a list of our members to our prepared statement which I would like to submit for the record.

We strongly support S. 1017, because this legislation would take two critical steps to assuring National Airport's continued vital role as a major transportation and economic center. First, the legislation would statutorily resolve critical aspects of the operations policy at National Airport, particularly the elimination of the passenger ceiling and the substitution of an operations level; and it would transfer control of the airports to an independent airport authority whose sole purpose will be to operate and plan for the future of both Dulles and National.

The uncertainty that has characterized the policy governing National Airport has made long-term planning and investment by the

public and private sector extremely difficult. We too have no criticism of the day-to-day management of National Airport, but history has proven that the long-term planning and capital renovations have not been accomplished because the airport's operations policy remains subject to repeated administrative amendments and Federal budgetary restraints.

The legislation that is proposed by you and others would resolve these issues once and for all.

The second reason for our support of the bill is that the new airport authority through its bonding power would be able to finance the capital improvements now desperately needed at both Dulles and National, as well as improvements that may become necessary at both airports in the future.

The modernization of the facilities at National Airport is such an important goal of this legislation that we urge Congress to make clear that a principal purpose of it is to accomplish the improvements in terms of terminal, parking, and road facilities, and to do so within 5 years after the transfer of the control of the facilities to the interstate compact.

These two steps—and I think this goes to the questions that have been asked earlier this morning—the stability of the policy and the modernization of the facilities, are inextricably linked. For nearly 30 years, the physical deficiencies at National have been recognized, but the debate over the National Airport policy for air carrier operations has stymied repeated capital improvement initiatives.

This is not an instance where the infusion of money is the whole solution. While Senator Hollings' proposal is significant in its recognition of the acute needs for capital improvements at both Dulles and National, the coalition feels that the proposal in his bill, S. 1110, to expend $250 million in Federal funds on facilities at the airports does not provide a sufficient solution.

First of all, according to the latest Salomon Bro. report, that amount of money may not be enough. Secondly, as I mentioned, a stable policy and an independent governing structure that can plan, finance, and act promptly are the missing elements in this well-intentioned proposal.

We have addressed a couple of details and refinements in the legislation in our prepared testimony, and I won't spend time on those now.

I would like to close by addressing one of the issues that has been central to this debate, and that is the question of whether the legislation unduly benefits Dulles to the detriment of BWI. We note that in the hearing yesterday before Senator Mathias that was the way the issue was proposed and not, as it was referenced here once this morning, as National and Dulles versus BWI.

We do not think that this legislation unfairly benefits Dulles or harms BWI. The needs of the three region's airports are compatible. There has been ample testimony during these hearings that growth in air traffic in this region will be more than sufficient to support all three airports.

We retained consultants, Kurth & Co, Inc., to look at a number of issues in connection with this legislation, and the consulting firm has made a very conservative estimate, much more conservative than the FAA's, of the growth in air traffic for this region, and

has concluded that at least 41 million passengers will be using the three airports by the year 2000. While this is lower than other estimates, including the FAA's, even this will strain the present capacities of all three of the region's airports.

Moreover, an analysis of the issue of the transfer's fairness to BWI must make the right comparisons, and that is the competitive position of BWI and Dulles, first under the status quo and then under S. 1017. I think the comparisons that have been made heretofore have not been in that context. This analysis shows that S. 1017 improves BWI's position vis a vis Dulles in several important respects.

First, Dulles would no longer be the beneficiary of the passenger ceiling which the Department of Transportation established for the purpose of diverting passengers from Dulles to National. Second, the interstate compact which will be the new owner of Dulles and National will have to shoulder some $80 million of financial responsibilities that are currently carried by the Federal Government, plus the cost of the Dulles midfield terminal and the capital improvements at National.

Mr. Chairman, we think this is a vitally important piece of legislation. We cannot stress too much the urgency of its enactment, and we urge that the Congress move forth as quickly as it can. We look forward to working with you and the other members of the committee on it.

Thank you for the opportunity to testify this morning.

[The statement follows:]

STATEMENT OF JOHN L. OBERDORFER, ON BEHALF OF THE COALITION FOR NATIONAL AIRPORT

Mr. Chairman and Members of the Subcommittee, I am John L. Oberdorfer of Patton, Boggs & Blow, counsel to the Coalition for National Airport. I am accompanied today by Robert D. Zimet, Chairman of the Coalition for National Airport and Vice-President and General Counsel of the Charles E. Smith Companies. We are pleased to appear today to testify on S.1017, the enabling legislation for the transfer of the Matropolitan Washington Airports to an independent airport authority.

The Coalition for National Airport supports the proposed ligislation because it represents the best opportunity to assure that this region's airports assume their place as first-rate facilities on a par with airports serving other major metropolitan areas. We do have some recommended refinements to certain of the bill's provisions, which I will address at the appropriate points in my testimony.

The Coalition for National Airport is a non-profit association of developers, business managers, hotel operators, regional trade associations, and high technology firms located in Washington D.C., Virginia, and Maryland. The Coalition was established in early 1984 to play a constructive role in the public debate about the future of National Airport. Attached to my testimony is a roster of the Coalition's members.

Since its formation, the Coalition has been active in the debate on National Airport. It participated in the rulemaking established by Secretary of Transportation Dole last year regarding the proposal to reduce the passenger cap at National Airport, and it was active before the Holton Commission in its study of the future of Dulles and National Airports. In addition, it has testified before the numerous local governmental authorities which are examining the purpose and implications of the proposed transfer.

To a large degree, the Coalition's formation was a result of its members' commonly-held belief that National Airport is a critical element in the well-being of the area's economy. One of the Coalition's first acts was to commission an aviation/economic consulting firm, Kurth and Company, Inc., to analyze the contribution National Airport makes to the economies of the District of Columbia, Arlington, and Alexandria. That study, which has recently been released, reviewed both the direct and indirect economic effects of the airport on this area.

The Kurth and Company, Inc. report confirms and quantifies the substantial role which National Airport plays in the economy of the Washington metropolitan area. In 1984, National Airport contributed $3.9 billion dollars to the region's economy, a contribution which will grow to over $6 billion annually by the year 2000. Of that total, $2.4 billion was received by the District of Columbia, Arlington, and Alexandria with the total for these jurisdictions alone growing to $3.6 billion annually by the year 2000.

The goal of the Coalition is to guarantee that National Airport continues to play this vital role as a major transportation and economic center well into the future. Two steps are critical to the achievement of this objective. First, a stable long-term policy which assures both that National Airport remains a principal commercial jet airport and that the growth that Dulles Airport has enjoyed continues must be implemented. Second, the desperately-needed capital improvements for National Airport's physical facilities, particularly its terminal, parking facilities, and surface transportation routes, must be made.

At the outset, we would like to point out that the Coalition believes that the needs of the region's airports are compatible. One principal reason that we support the transfer of the airports is so that the tax-exempt bond financing will be available for the improvements needed at National, as well as for the construction of the midfield terminal that is essential to Dulles' future. Moreover, we are convinced that the growth in air traffic in the region will be more than sufficient to support these two airports as well as Baltimore-Washington International Airport. Kurth and Company, Inc. has concluded that, even at conservative growth rates, air traffic for the region will reach at least 41 million passengers by the year 2000, a level that will strain the capacities of all three of the region's airports.

The Coalition supports enactment of the Metropolitan Washington Airports Transfer Act of 1985, provided that certain key elements in it are retained and that certain clarifications are made. The legislation represents the most effective avenue for resolving the 30 years of uncertainty that have characterized the policy governing National Airport and for financing the improvements at the airport that have been delayed while the policy debate has dragged on. We believe that this may be the final opportunity for some time to guarantee that National and Dulles become 21st century airports both in terms of operations policy and physical facilities.

Over the years, the federal government has revised or pursued revisions of the operating policy at National Airport numerous times. In the past four years alone, the Department of Transportation has implemented or proposed annual passenger ceilings at National Airport of 16 million, 15.2 million, and 14.8 million. As a result of these shifts in policy, neither the public nor private sector has had a reliable basis for investing in the airport or making rational long-range plans for use of the airport and its environs. The Federal Aviation Administration's day-to-day management of the National Airport is beyond reproach. But absent a stable policy and a flexible governing structure, planning for the future has been rendered difficult. The proposed legislation constitutes a workable framework for addressing these shortcomings because it both would statutorily resolve some of the critical policy questions and would create a governing structure whose sole function is to operate and plan for the future of the airports.

Stability of policy and modernization of the facilities are inextricably linked. That the ground access, parking, and terminal facilities need improvement at National Airport is beyond dispute. The preliminary report of the FAA's facilities consultant found significant deficiencies in all these areas. Indeed, for nearly 30 years, the deficiencies have been recognized, and repeated capital improvement initiatives have been undertaken. And for nearly 30 years, these initiatives have been stymied at least in part by the debate over airport policy.

The 1982 introductory document to FAA's most recent initiative details the history of failure to renovate National Airport:

In 1958, and again in the early 1960s, unsuccessful attempts were made to prepare and gain approval of a Master Plan to guide the future development of the National. In the mid-1960s, given an abundance of evidence that the physical condition of National was inadequate, both in size of facilities, a renewed effort was launched to prepare an Airport Master Plan to guide major new development. This effort, which has become known as the "Kling" Plan . . . established several physical development options to accomodate a growth in activity to about 16 million passengers per year. By the time these plans were published late in 1968, the airport was experiencing a severe community reaction to the aircraft noise problem. Still later, while the plan was under review, a furor erupted over the introduction of a larger type of aircraft, the Boeing 727-200, into National. That in turn focused further attention on the question of how much growth should occur at National. The

Kling Plan was shelved late in 1970 by then-Secretary of Transportation, John Volpe.

In July of 1971, after comprehensive Departmental analysis, it was determined that there was a need to establish a Department policy on the proper roles for National and Dulles and that such a policy, once adopted, would be the logical foundation for further physical planning for the airports. That decision effectively moved the major focus at National away from the physical planning (*i.e.*, Master Plan) arena and into the policy arena and led eventually to the preparation of the proposed Metropolitan Washington Airports Policy which was adopted in 1981.

The FAA's most recent effort to improve National's facilities once again has been delayed by the policy debate over the future of the airports.

History's unmistakeable lesson is that money is not the whole solution. A stable governing structure that can engage in rational and flexible long-term planning has been the missing element in the previous well-intentioned efforts to modernize National Airport. The most marked difference between National and Dulles airports and other major commercial airports is the absence of a reliable long-term operations policy.

The Coalition, therefore, feels that the proposed legislation (S. 1110) to expend $250 million from the Airports Improvement Program trust fund for facilities improvements but retain federal control over the two airports does not provide a sufficient solution to the problem. Aside from our concern that the proposal is not politically feasible, the proposed legislation would not supply the missing element of a stable operations policy. It is critical to National Airport's future that the passenger ceiling and other policies for the Airport be addressed legislatively.

Moreover, $250 million may simply not be sufficient to finance the improvement at both of the airports. The Metropolitan Washington Airports staff has indicated that the requisite improvements may cost $300 million, a figure that private sources consider too low. The proposal's failure to create an airport authority that can plan for, and finance the future thus would build another barrier to true modernization. If additional funds become necessary, the FAA would be forced to return to Congress, and once again, local and national policy debate would interfere with the needed improvements.

S. 1017 would provide a stable policy-making structure requisite for making National and Dulles first-rate commercial airports well into the 21st Century and enable the financing of the capital improvements through the issuance of revenue bonds.

We have several suggestions for ensuring that S. 1017 achieves its goals. First, it is essential that Congress make clear that one of the central purposes of this legislation is to facilitate the modernization of Washington National Airport and that a first priority of the interstate compact governing board should be to accomplish the needed improvements at National. These include improvements to its parking facilities, terminal facilities, and ground access. As we indicated above, improvements at National have repeatedly been delayed and neglected. Because revenues from National initially will provide the primary underpinning of the bonds that are issued, the improvements at National should be a first priority. We, therefore, urge the Congress to add as a goal the complete modernization of National Airport within five years of its transfer.

Second, Congress should make minor clarifications regarding the new authority's power to regulate service levels at National Airport. On the whole, we believe that the bill provides the type of balanced and prudent approach to the aiports policy that will promote both rational development and reduced noise levels. The FAA's retention of jurisdiction over operations regulations that are subject to FAA jurisdiction over operations regulations that are subject to FAA jurisdiction at other airports and the transfer of the remaining operations functions to the new authority strikes the appropriate balance between federal and local control. National and Dulles airports should be treated as other commercial airports are treated.

Consequently, the Coalition supports the termination of the passenger cap at National Airport (it currently is set at 16 million passengers per year) and the continuation of the air carrier slot limitations and nighttime noise rules. The Secretary's transmittal letter of the proposed legislation states that only the FAA can change the number of slots and that it may do so for reasons of safety only. We suggest that Congress make clear both this point and that slot limitations, as opposed to passenger ceilings, are the only permissable method of restricting air carrier operations.

The elimination of the passenger ceiling, coupled with a freeze on air carrier slots, will both allow for limited growth at National Airport and result in reduced noise levels at the facility. If the legislation is not enacted, the 16 million annual passenger ceiling will be hit during 1987, and under the mechanics of the passenger rule,

flights automatically will be eliminated. This will have a deleterious effect on air service for many states. According to Kurth and Company, Inc., 15 cities in seven states will eventually lose all non-stop service to National Airport under the 16 million annual passenger ceiling. An additional 24 cities in 14 states will eventually suffer nonstop service cutbacks. Enactment of the legislation, therefore, is crucial to protecting service levels at National Airports.

At the same time, enactment of S. 1017 is crucial to promoting reductions in noise levels at the airport. If the passenger ceiling stays in place, it serves as an economic disincentive for air carriers to increase the number of new generation quiet aircraft serving National Airport. These aircraft are substantially quieter but have larger seating capacities than the most aircraft now serving the airport. The introduction of these aircraft would significantly reduce noise levels at National Airport.

Finally, our continued concern about the implementation of the needed capital projects at National Airport leads us to the provisions in the bill that address the role of the National Capital Planning Commission and reviewability under the National Environmental Policy Act. For too long, projects at National Airport have been stymied by red tape, and the condition of the airport is testament to that. We strongly believe that the projects must be undertaken and completed immediately, and we therefore endorse the provisions in this bill that would bypass unnecessary review of the needed projects.

In particular, we support Section 9(a)(5) which places in proper perspective the authority of the National Capital Planning Commission as applied to these airports. The bill contemplates a reduced role for the NCPC which gives it jurisdiction at National only for those development projects that would alter the skyline of the airport when viewed from the opposing shoreline of the Potomac River or from the George Washington Parkway. We also endorse the restrictions on the application of the National Environmental Policy Act which are contained in Section 9(a)(3) of the bill. Once again, as provided for in this section, National and Dulles airports should be treated as all other airports are treated.

Mr. Chairman, this is an important piece of legislation. If enacted and implemented properly it will resolve many of the issues that have thwarted the development of a first-class airport system in this area and have in particular left National Airport several decades behind any other major airport in the country. With the refinements I have mentioned, the Coalition very strongly supports the bill and looks forward to an opportunity to work with you and the Members of your Committee towards its enactment. Thank you.

Senator TRIBLE. Thank you for your testimony and for the presence and leadership of Mr. Zimet, who I met with a couple of years ago, as we talked about the airports and the airport policies.

Mr. Ikard.

Mr. IKARD. Thank you, Mr. Chairman.

My name is Frank Ikard and I appear here today for the Greater Washington Board of Trade as a member of the board's Transportation Coordinating Committee and as chairman of the Airports Policy Task Force.

As you well know, Mr. Chairman, the board of trade is a regional organization that promotes and markets the region both nationally and internationally, and our 1,400 members represent a broad range of businesses throughout the region and employ over two-thirds of those employed in the private sector.

In 1984 we commissioned the Bureau of Social Science Research to conduct a regional-wide voter attitude survey on the transportation needs and priorities of the area. As a result of that, we have developed a policy, copies of which will be made available and I hope will be included in the record.

We are pleased to have this opportunity to indicate our support for the Metropolitan Washington Airports Transportation Act of 1985. We believe this legislation to be important to the economic growth and the vitality of the greater Washington area.

The board of trade has been involved in airports since 1928, when they recommended the present location of National and the then President Franklin Roosevelt agreed with them and caused the facility to be built.

The attitude survey that I mentioned brought about the contacting of something more than 2,000 households in this survey, 250 interviews in each of the region's eight major jurisdictions. They were asked about airports, and the majority of those responding supported more frequent flights and the development of a midfield terminal at Dulles and better parking facilities at National.

As a result, the board of trade adopted transportation agenda calls for an adjustment of the landing fees to encourage greater use of Dulles and the building of a midfield terminal. At National, the board is urging additional parking and improved ground transportation between terminals and the Metro station.

These improvements are expensive. The board supports this transfer legislation because it will ensure that the capital improvements are made and that National and Dulles Airports continue to be strong regional assets. The idea of a transfer is not a new one. It has been going on actually since 1941.

Now, I would like to briefly mention specifically why we support this legislation. First, both airports, as has been indicated here by almost every witness, require capital improvements. For National that means improved surface transportation, parking and passenger facilities. For Dulles that means midfield terminals and parking.

For those improvements to be made, dollars are needed, and I think I would agree with the first witness on this panel when the gentleman said that we are really talking about funding and development of better service for the public in this region.

For these improvements we feel are very necessary. Congress is not in a position to finance the improvements at this time or to provide the kind of continuity of planning that is needed to properly develop the facilities. As it now stands, $12 million annually are gone or are returned to the Treasury of the United States, which, while evidently some of the money is applied to the existing capital debt for construction, certainly under the regulations, as it has also been previously pointed out, the FAA cannot target the funds for the needed capital improvements. Hence, there is no incentive to adjust landing fees, although fees could help cover the cost of many needed improvements.

An airport authority would have the power to issue tax exempt bonds in order to finance these much-needed improvements.

Second, the authority, composed of representatives of those affected jurisdictions, would be particularly responsive to local conditions and the needs and the requirements of the airlines.

Third, the improved airport facilities would enhance regional development, commerce, and tourism. I don't have to indicate to you, Mr. Chairman, the importance of tourism to not only the District, but to the whole region. And in my prepared statement I indicate some of the statistics that we have gathered on that and what it really means, the impact.

Now let me emphasize again that the major benefit of local control and establishing an airport authority will be the power to issue

bonds and to finance the capital improvements and I think add some continuity for the development of long-range planning.

For the airport authority to effectively operate and manage the airports, we urge that its powers and duties include responsibility for setting nighttime noise standards, the major point of controversy at Washington National Airport.

The noise level is not at all affected by the number of passengers being served, but by the type of aircraft and the number of operations. Therefore, we would urge that Congress not impose nighttime noise restrictions as a part of the divestiture legislation. Changes to nighttime noise regulations should be the responsibility of the airports authority, based on the best and most current aircraft technology available consistent with safety.

A related issue would be the passenger cap, which should be made by, if any, by the airports authority in our view. We recommend also that—the board of trade also recommends that the airports authority retain the present number of carrier flights per hour, the so-called slots. We recognize that the appropriate number of operations at Washington National Airport has long been debated. However, most parties have found the current number of operations to be acceptable. While some don't agree with it, it is an acceptable number.

Finally, an airport's authority would be better able to manage the difficult taxi problems at National Airport through more stringent licensing and enforcement procedures.

In conclusion, Mr. Chairman, the legislation before you today represents, we believe, an important opportunity and we hope that the Senate will move on this important piece of legislation expeditiously. The greater Washington region will directly benefit from local control of Washington National and Washington Dulles International Airports and local control will, we believe, ensure that basic capital improvements are made and that the airports will continue to be regional transportation assets.

That concludes my statement, Mr. Chairman.

[The statement follows:]

STATEMENT OF FRANK IKARD, THE GREATER WASHINGTON BOARD OF TRADE

METROPOLITAN WASHINGTON AIRPORTS TRANSFER ACT OF 1985

Good afternoon, Senator Kassenbaum and members of the Senate Subcommittee on Aviation. Thank you for the opportunity to testify before you today on the Metropolitan Washington Airports Transfer Act of 1985. My name is Frank Ikard. I am with Finley Kumble Wagner Heine Underberg Manley & Casey, a law firm located in Washington, DC. Accompanying me today is Michele Hagans of Fort Lincoln New Town Corporation.

I am speaking today on behalf of The Greater Washington Board of Trade as a member of the Board's Transportation Coordinating Committee and as Chairman of the Airports Policy Task Force. The Board of Trade actively promotes and markets the region nationally and internationally. Our 1,400 members represent a broad range of businesses throughout the region and employ over two-thirds of the private sector work force.

In 1984 the Board of Trade commissioned the Bureau of Social Science Research to conduct a region-wide voter attitude survey on transportation needs and priorities. On the basis of this survey, the Board adopted a regional transportation agenda. The Agenda calls for balanced use of all three airports: BWI, Dulles and National, and specifically urges that all new growth in passenger travel be directed to Dulles and BWI. The Transportation Coordinating Committee was established to

implement the Board of Trade's transportation policies. The focus of the Committee's work this year is on Roads and Bridges, and on Airports.

The Board of Trade has adopted an Airports Policy that supports the transfer of National and Dulles Airports to a single, independent public authority. I have brought copies of the policy for you today. The Airports Policy Task Force is seeking passage of the airports transfer legislation now before you.

We are very pleased to have the opportunity to support the Metropolitan Washington Airports Transfer Act of 1985. This legislation is important to the economic growth and vitality of the greater Washington area. I would like to explain why the Board of Trade supports this legislation.

HISTORY

The Board of Trade has been involved in airports going back to 1928 when the Board recommended that National be located at Gravely Point. This was the site chosen by Franklin Roosevelt. Today the Board supports a balanced air transportation system for the region. The results of the voter Attitude Survey helped us develop this position. Let me talk about those results for a moment because they relate to the benefits of local control of the airports.

The attitude survey was conducted by the Bureau of Social Science Research. Slightly more than 2,000 households were surveyed—250 interviews in each of the region's eight major jurisdictions. When asked about airports, the majority of those responding supported more frequent flights and the development of a midfield terminal at Dulles and better parking facilities at National. The Board of Trade's adopted Transportation Agenda calls for an adjustment of landing feels to encourage greater use of Dulles and Building a mid-field terminal. At National, the Board is urging additional parking and improved ground transportation between terminals and the METRO station. These improvements are expensive. The Board of Trade supports this transfer legislation because it will ensure that the capital improvements are made and that National and Dulles Airports continue to be strong regional assets.

NEED FOR LEGISLATION

The idea of a transfer is not a new one. In the report released by the Commission chaired by former Governor Linwood Holton in December of 1984, the Commission notes:

The government's venture in operating air carrier airports began when National Airport opened for business in 1941. By 1948, the airport was identified as inappropriate for operation as a conventional federal agency.

In the following 35 years, many attempts were made to reorganize first National, and later both National and Dulles. In the late 1960's the alternative of local control was considered.

Although the idea of transfer is not new, Secretary Dole's approach to the issue is—it reflects a recognition that transfer requries a broad consensus for success.

STRUCTURE

Now, I would like to discuss why the Board of Trade supports federal divestiture of the two airports and why it is important for the region. First, both airports require capital improvements. For National this means improved surface transportation, parking and passenger facilities. For Dulles, this means a midfield terminal, and parking. For these improvements to be made, dollars are needed. Congress is not in a position to finance the improvements at this time. As it now stands, $12 million in annual airports' revenues must be returned to the federal treasury. While eventually some of that money is applied to the existing capital debt for construction, the FAA cannot target the funds for needed capital improvements. Hence, there is no incentive to adjust landing fees although the fees could help cover the cost of many needed improvements. An Airports Authority would have the power to issue tax exempt bonds in order to finance the much needed improvements. Second, an authority composed of representatives from the affected jurisdictions would be particularly responsive to local conditions and needs and the requirements of the airlines. Third, improved airport facilities will enhance regional commerce and tourism.

Tourism and travel-related services provide significant tax and employment benefits for the greater Washington region. For example:

Tourism and travel-related employment generated 45,000 jobs throughout the region;

National and Dulles, combined, generate 10,800 jobs for the region's residents; and,

Employment grew by 71 percent since 1970 in the areas close to Dulles, compared with 11.5 percent employment growth in the rest of the metropolitan area.

GOVERNING BOARD

The Board of Trade supports a Metropolitan Washington Airports Authority composed of representatives appointed from Virginia, Maryland, the District of Columbia, and by the President of the United States. This kind of representation will achieve a more balanced use of Washington National and Washington Dulles International Airports.

POWERS AND DUTIES OF AUTHORITY

Let me emphasize again that a major benefit of local control and establishing an Airports Authority will be the power to issue bonds to finance captial improvements. For the Airports Authority to effectively operate and manage the airports, we urge that its powers and duties include responsibility for setting nighttime noise standards. The major point of controversy at Washington National Airport—the noise level—is not at all affected by the number of passengers being served but by the type of aircraft and number of operations. Therefore, we urge that Congress not impose nighttime noise restrictions as part of the divestiture legislation. Changes to the nightime noise regulations should be the responsibility of the Airports Authority based on the best and most current aircraft technlogly available consistent with safety concerns.

A related issue is the passenger cap. If the airports are to be operated and managed by an airports authority, decisions regarding passenger caps should be made by the Airports Authority.

The Board of Trade also recommendeds that the Airports Authority retain the present number of carrier flights per hour. We recognize that the appropriate number of operations at Washington National Airport has long been debated. However, most parties have found the current number of operations to be acceptable. In an effort, therefore, to facilitate the transfer and ensure that service is maintained to as great an extent as possible, the legislation should provide that, unless required for reasons of safety, the number of operations authorized by the FAA under the high density rule may not be restricted.

Finally, an Airports Authority will be better able to manage the difficult taxi problems at National Airport through more stringent licensing and enforcement procedures.

CONCLUSION

The legislation before you today represents an important opportunity. We hope that the Senate will move expeditiously on the Metropolitan Washington Airports Transfer Act of 1985.

The greater Washington region will directly benefit from local control of Washington National and Washington Dulles International Airports. Local control will ensure that basic capital improvements are made and that the airports will continue to be major regional transportation assets. The Airports Authority operation and management of the airports will ensure appropriate use of the airports and will guarantee that Washington National and Washington Dulles International Airports will continue to provide employment and tax benefits to the region and its residents.

This concludes my comments on the Metropolitan Washington Airports Transfer Act of 1985. Thank you Senator Kassebaum and members of the Subcommittee on Aviation. I would be pleased to answer any questions you might have.

Senator TRIBLE. Mr. Ikard, I appreciate your testimony. I would note for the record, the Greater Washington Board of Trade represents businesses throughout the Greater Washington metropolitan area, business interests in Virginia and Maryland as well as the District of Columbia.

Mr. IKARD. That is correct.

Senator TRIBLE. And therefore it is your judgment and testimony today that this bill would serve the best interests of all of the citizens of our area?

Mr. IKARD. That is our view, yes.

Senator TRIBLE. The primary contention of our friends in Maryland is that this measure in some way disadvantages BWI. Is that a fair statement, Mr. Williams?

Mr. WILLIAMS. Senator, I don't think it is right at all. In point of fact, the present situation I think is unfair to National and Dulles Airports, and the reason is because of the flexibility that the State of Maryland has in funding capital improvements at BWI, which is not true with National and with Dulles.

As you well know, the budget constraints have been such for years that the improvements have not been made and we are approaching the crunch point. In fact, we have been at the crunch point at National and we're approaching the crunch point at Dulles because of the lack of those facilities, and specifically the Dulles midfield terminal.

The question, it seems to me, Senator, that the question of fairness is fairness to whom. Are you talking about the Maryland Department of Aviation or whatever it is, Transportation, as it is called, I believe? Or are you talking about the people of Maryland? When you're talking airline service you should be talking people, and a lot of the service that comes into Dulles comes from Montgomery County, MD, not so much from Prince George's County.

But it is interesting that, I believe it is, last year 169,000 enplanements at Dulles were from Montgomery County, and I think it was 129,000 from Montgomery County going to BWI. In Prince George's County, the great majority of the people use National as opposed to BWI. So the question is people there.

The second thing is, I mentioned earlier the fairness of process. The present process simply is not fair, with the constraints that have been placed upon National and Dulles in raising capital funding, and that is what we keep hitting on here.

And the third thing, about the price, I think is smoke and mirrors, frankly. The Federal Government is not in the business of making money on land. If you sold off National and Dulles and got these big prices that the Grace Commission talks about, we would then be faced with, we go somewhere else and buy another big block of land and build another, a new airport, at far greater price.

I mean, you are talking—the Government is in service; it is not in it to make a profit and speculating in land. And the price—and Mr. Ignatius made this point—the airlines have paid the price down to $47 million which is due. I don't think they or the consumers ought to be made to pay twice.

Senator TRIBLE. I thank you. And gentlemen, I thank you for your testimony. And if you do not have anything else to add at this point—yes, Mr. Oberdorfer.

Mr. OBERDORFER. I just wanted to make one further point on the fairness issue, which is that I think that we should not change this legislation to tip it toward Maryland by imposing things that would be unfair to both National and Dulles, such as giving the new airport board bonding authority but not giving it tax exempt bonding authority.

That would put National and Dulles in a position that is different from every other airport in the Nation and would be the same sort of thing that Mr. Williams is talking about. We would have made a gain, but with one arm behind our back, and I think that is important to keep in mind.

Mr. WILLIAMS. Mr. Chairman, if I may, this is the directory of the Washington Dulles Task Force, and I would like to make it a part of the record with my statement for the task force. It discloses that we have over 475 members, mostly business corporations, but others, throughout this entire area.

Senator TRIBLE. That will be made a part of the record by reference.

Gentlemen, we thank you very much.

Next we have a citizens panel. The panel members include: Thomas White, president of the Fairfax County Federation of Citizens Associations; Mr. Kenneth Ingram, president, Arlington County Civic Association; and Mr. Fred Wood, Washington Airports Council.

And I would note that the Alexandria Federation of Civic Associations was also invited to testify, but they declined. They will submit a written statement, and they also endorse Mayor Moran's statement of this day.

Gentlemen, you are most welcome. Who wishes to take the lead? Mr. Wood, how about you?

STATEMENTS OF FRED B. WOOD, COPRESIDENT, WASHINGTON AIRPORTS COUNCIL; THOMAS WHITE, PRESIDENT OF THE FAIRFAX COUNTY FEDERATION OF CITIZENS ASSOCIATIONS; AND KENNETH INGRAM, PRESIDENT, ARLINGTON COUNTY CIVIC ASSOCIATION

Mr. WOOD. Sure, I would be delighted to do that. That way I'll be sure to get my full 5 minutes.

Thank you very much, Senator Trible. I appreciate the opportunity to be here to discuss this very important topic. As you know, I and many other citizens have been active on this issue for many years, and this is certainly the No. 1 priority issue regarding the airports at this point in time.

I am appearing as copresident of the Washington Airports Council. The other copresident is Carol Fontein. Washington Airports Council, or WAC, as we like to call it, is a citizen group with members from throughout the metropolitan area. We have citizen leaders from every major jurisdiction in the metropolitan area as part of our group.

Our priority: We are dedicated to reducing noise and congestion at National Airport and increasing safety at National Airport. Senator Trible, the bottom line is that we support—we strongly support—the concept of transferring National and Dulles Airports to a regional airports authority.

The reason is very simple: We've been expending hundreds—thousands—of hours over the last few years trying to get some measure of noise relief at National Airport, but to no avail. We have reluctantly come to the conclusion that we are making no headway with the current management of the airport, the Federal

Aviation Administration, and we hope that the transfer to a regional airports authority will result in a management of the airports that will be more responsive to legitimate citizen concerns, particularly about noise.

Now, I must emphasize that our support for the transfer naturally has a variety of conditions on it, and in a large sense these are twofold: First, it is imperative that the bill and the legislative history make very clear the congressional intent that the transfer also have the objective of mitigating noise at National as well as the objectives of improving facilities and reducing congestion.

There is a deficiency in the bill right now: I don't believe the word "noise" is mentioned once. As I mentioned earlier, we hope that can be adjusted and I think that is going to be very important as an element of the bill and the legislative history.

Second, the bill must give the regional airports authority the tools that it will need to mitigate noise, to effectively carry out a noise abatement program. Those are the two, if you wish, major conditions that attach to our support of the transfer.

Now, the importance of a strong noise abatement program and tools going to the airports authority is highlighted in a just-released report which I have right here that was done by Robert L. Banks & Associates, which is a very well-respected aviation economic consulting firm, for the Center for Urban Education, which is an Arlington-based citizens group.

Now, R.L. Banks found that there really is no basis, factually anyway, for the view that the transfer itself is going to significantly reduce air traffic at National Airport. That just isn't in the cards, in terms of the marketplace anyway. People would like to see that happen, but they found it is not a reasonable or supportable assumption, and in fact the press release accompanying this report states: "Study debunks myth that airports transfer will reduce commercial jet flights at National Airport."

And I would like to place this in the record, if I might.

Senator TRIBLE. It is so ordered.

Mr. WOOD. Thank you very much.

And that means that if you're not going to look to a substantial reduction of flights at National, you have to look to a lot of other measures to reduce noise—like using quieter aircraft, like better compliance with noise abatement procedures, like cracking down on nighttime flights—while at the same time keeping the lid on any further growth or expansion at National by maintaining the annual passenger cap, the perimeter rule, and the slot limitations.

So that is the kind of package that we would like to see. So essentially, the way it would come out is that WAC will enthusiastically support an amended version of S. 1017 along the lines that we have been talking about, and I would put forward four specific kinds of amendments for your consideration.

First would be to amend the bill to permit elected or appointed officials to serve on the governing body. As you know, the current bill prohibits local elected or appointed officials from serving, and we think that provision should be removed so at least they could be qualified to serve if they were appointed by the Governors.

Second, we would suggest that all elements of the current policy be transferred to the airports authority with a 2-year freeze. We

have a problem with this 35-year freeze. We think that is an excessively long period of time, and we would suggest a much shorter period and we are putting forward 2 years to make it a level playing field. We're not looking for any changes in the policy in connection with the transfer, but we want to make sure that the airports authority has the appropriate control over the policy so that they can take effective measures to reduce noise.

A third point is to make clear that the National Environmental Policy Act and the National Capital Planning Act fully apply as long as the airports are federally owned. There is ambiguity in the current bill, and I think it should be clarified. Our view is that as long as they are Federal airports, as long as they are federally owned, those Federal laws should still apply.

My fourth and final point is that there should be a statement added to the bill that makes clear the congressional intent, as I mentioned earlier, that achieving effective noise abatement is an important objective of the transfer. That statement should be added to the other objectives that are listed.

With these kinds of amendments, I can assure you the widespread support amongst the hundreds of thousands of metropolitan area citizens who are adversely affected by aircraft noise.

And in closing, I want to point out that there are millions of visitors to the national monuments, The Mall, and the park areas that would also benefit from an airports transfer that brings some measure of real noise relief to this, our Nation's Capital.

Senator, I thank you for the opportunity to appear.

[The statement follows:]

STATEMENT OF FRED B. WOOD, CO-PRESIDENT, WASHINGTON AIRPORTS COUNCIL, INC.

Dear Madame Chairman and members, thank you for the opportunity to appear before this Subcommittee on the subject of what I believe to be the number one airports issue facing the Washington Metropolitan Area—the proposal to transfer Washington National and Washington Dulles International Airports to an independent regional airports authority.

I serve, along with Ms. Carol Fontein, as Co-President of the Washington Airports Council, Inc. WAC is an umbrella organization that includes many of the citizen leaders who have been active on airport issues over the last decade. WAC members include citizen representatives from all major jurisdictions in the Metropolitan Washington Area—specifically, Arlington and Fairfax Counties in Northern Virginia, Montgomery and Prince George's Counties in suburban Maryland, and the District of Columbia.

WAC is dedicated to reducing noise and congestion and increasing safety at National Airport. Reducing aircraft and airport noise is our priority.

NOISE PROBLEMS AT NATIONAL AIRPORT

The WAC leadership has spent literally thousands of hours, collectively, in seeking relief from National Airport noise. Many area residents are impacted every day by high levels of noise from turbojet departures and arrivals at National Airport.

Best estimates are that about 550,000 area residents are exposed to significant levels of aircraft noise, and that about 165,000 residents are highly annoyed by aircraft noise. (See F. B. Wood, "National Airport Perspective: The Need to Increase Safety and Reduce Noise and Congestion," Arlington, Va.: Center for Urban Education, July 31, 1985, pp. 14–15.)

The scatter plan test conducted in late 1983 and early 1984, in which many turbojets departing National Airport made early turns away from the Potomac River, demonstrated beyond a shadow of doubt the substantial adverse impact of aircraft noise. The scatter test generated over 20,000 phone calls and several thousand letters from angry area residents, and was judged by many local public officials to be the most disruptive and controversial issue in recent memory. The scatter plan

itself appears to be dead, but the noise impact continues for those tens and hundreds of thousands who live in the Potomac River corridor.

Beyond the noise impact on area residents, there is a substantial adverse impact on visitors to the Mall and National Monument and Museum area, as anyone who visits the Lincoln Memorial or West Potomac Park can readily confirm. Furthermore, the Potomac River flight corridor is also the location of numerous local, regional, and Federal park and recreational areas. From Great Falls to the north to Mount Vernon to the south, park visitors find their enjoyment of these priceless national resources significantly impaired.

SOLUTIONS TO THE NATIONAL AIRPORT NOISE PROBLEM

The are basically three ways to reduce National Airport noise: increase the percentage of quieter planes using National, more strictly enforce the now voluntary noise abatement procedures, and more tightly control the number of flights. (See Arlington County Ad Hoc Committee on National Airport, "Subcommittee A Report," March 1985.)

Unfortunately, years of effort by WAC and many other citizen groups has led to little progress in any of these areas. There are still no daytime noise standards at National, nor even a serious effort to study such standards, although the airlines—to their credit—have voluntarily increased the percentage of quieter aircraft (such as the B-757 and MD-80) using Nationl to reportedly about 15 percent of all commercial turbojet operations. There is still substantial aircraft noncompliance with the voluntary noise abatement procedures. Reportedly, almost half of the departing turbojet aircraft still fail to comply with the power management procedures that have been uniquely developed for National Airport. And finally, there continue to be aircraft operating out of compliance with both the night-time noise limits and day-time hourly slot limitations. Whether these aircraft are actually operating illegally or are operating through loopholes in the current regulations is beside the point.

The point is that WAC and other citizen groups have found the Federal Aviation Administration seriously deficient with respect to full enforcement of the letter and spirit of current restrictions designed to limit noise from National, let alone tightening up these restrictions. Furthemore, the FAA has steadfastly refused to establish a citizens advisory committee, despite repeated requests from citizens and their local, regional, and congressional representatives.

THE NEED FOR A REGIONAL AIRPORTS AUTHORITY

After years of frustration in dealing with the FAA, WAC and other citizen groups concluded that part of the answer was to place National Airport (along with Dulles) under local or regional control, in the hopes that a local or regional airports authority would be more responsive to legitimate citizen concerns.

Thus WAC was one of the first citizen groups to formally support the concept of local or regional control. WAC testified at the September 12, 1984, public hearing of the U.S. Advisory Commission on the Reorganization of the Metropolitan Washington Airports chaired by former Virginia Governor Linwood Holton.

WAC's position then as it is now is to support the transfer of National and Dulles Airports to a local or regional authority provided that such authority: (1) is responsive to citizens and their locally-elected representatives by having elected officials and citizens-at-large serve directly on the governing board and by having a citizens advisory council; and (2) has clear power to set and enforce policy for the two airports.

DEFICIENCIES IN THE HOLTON COMMISSION REPORT AND S. 1017

Despite the hard work and substantial contribution of the Holton Commission in advancing the general concept of the airports transfer, the Commission planted the seeds of future problems that we are now experiencing in four key aspects of S. 1017, the Metropolitan Washington Airports Transfer Act of 1985.

First, the December 1984 Holton Commission recommendation was to prohibit elected or appointed political officials from serving on the governing board of the airports authority. And the Holton Commission report was silent on the need for a citizens advisory committee. In essence, the Commission ended up supporting a governing body structure that very easily could become insulated from local public officials and citizens—just the opposite of what WAC and other citizen groups wanted.

The U.S. Department of Transportation draft and final legislation (S. 1017) regretably but faithfully reflects the Holton Commission recommendation in these re-

spects—no elected or appointed political official and no statutory citizens advisory committee.

The WAC position is that elected and appointed officals should be eligible to serve on the governing body, and that a citizens advisory committee should be required.

Second, the Holton Commission did not address nor make a recommendation on the power of the airports authority to set and enforce policy for the two airports. Unfortunately, the DOT draft legislation did not give the airports authority the clear power to set and enforce all elements of the current Metropolitan Washington Airports policy. The first draft of the legislation terminated the passenger cap (the annual passenger ceiling of 16 million for National Airport) one year after transfer and appeared to retain the hourly slot limitation for commercial air carrier operations (currently 37 per hour) as an FAA rule subject to change by the FAA. The final draft (as embodied in S. 1017) terminates the cap immediately upon transfer and freezes the slot limitation for 35 years, the term of the lease. The first draft continued the night-time noise limits subject to change by the airports authority, but the final draft (S. 1017) freezes the current limits for 35 years. (I understand that DOT and the airlines have agreed to an amendment that would remove the freeze and place night-time noise limits clearly within the descretion of the airports authority, as did the original draft bill.) Both the first and final draft leave the non-stop perimeter rule (currently 1,000 miles) up to the airports authority, although one airline reportedly is still attempting to delete or weaken the perimeter rule.

The WAC position is that all element of the current policy should be transferred to the airports authority, and that enforcement of that policy and modification, if any should be solely the responsibility of the airports authority.

Third, the Holton Commission did not address nor make a recommendation on the applicability of three important Federal environmental protection laws—the National Environmental Policy Act, National Historic Preservation Act, and National Capital Planning Act. Unfortunately, the DOT first draft legislation substantially weakened the applicability of all three. The final draft (S. 1017) partially restores the role of the National Capital Planning Commission, but leaves the status of NEPA very ambiguous.

The WAC position is that so long as the airports are Federally owned, which would be for the 35 year term of the lease provided for in S. 1017, all three Federal environmental protection statutes should be fully applicable.

Fourth, the Holton Commission recommended, and DOT adopted in legislation, an allocation of seats on the governing body of the proposed airports authority that did not have the support of all area jurisdictions. With all due respect to the difficulty of this issue and the substantial effort made by the Holton Commission to find an acceptable compromise, strong apposition from any major jurisdiction adversely affects the chances of enactment.

WAC has not taken a position on the allocation of governing body seats between Virginia, Maryland, the District of Columbia, and the Federal Government. However, as WAC Co-President I urge all parties involved to show maximum flexibility in reaching an accomodation on this point as well as on those raised above.

PROPOSED TECHNICAL AMENDMENTS TO S.1017

Consistent with points one, two, and three above, WAC proposes the following technical amendments to S.1017:

1. Strike section 6(i)(2)(A).—This amendment would remove from S.1017 the prohibition against elected or appointed political officials serving on the governing board of the regional airports authority. One purpose of the transfer is to make the airport management more responsive to area residents, and the elected or appointed representatives of area residents should be eligible to serve on the governing board.

2. Amend section 7(a)(4).—This provision should be amended so that all regulations of the Metropolitan Washington Airports (14 CFR Part 159)—including the night-time noise limits and the perimeter rule—become regulations of the airports authority and remain in effect until modified or revoked by the authority. Section 7(a)(4) should be further amended so that the Federal Aviation Administration air traffic regulations designated 14 CFR 93.124 (Modification of Allocation: Washington National Airport, known as the annual passenger ceiling or cap) and 14 CFR 93.121 et seq. (other provisions of the High Density Rule, including the hourly slot limitation) remain in effect for two years after the date of transfer and thereafter until modified or revoked by the airports authority. Thus, instead of terminating the cap and freezing the slot limitation for 35 years, the amended bill would freeze both for 2 years and then leave any changes up to the airports authority.

3. Amend section 9(a)(5).—This provision should be amended to make clear that the National Environmental Policy Act, National Historic Preservation Act, and National Capital Planning Act shall apply to the airports authority for the term of the lease. S.1017 continues National and Dulles Airports as Federally-owned facilities for 35 years. Since both airports will continue to have significant impacts on the environment of the National Capital area, these Federal laws should continue to apply so long as the airports remain under Federal ownership. The only reason anyone would logically oppose these amendments is if major capital improvement, redevelopment, and expansion of National Airport were intended. This is the only scenario likely to generate significant NEPA and NCPC blocking or delaying actions. And if the bill were intended to facilitate such a National Airport expansion scenario, WAC would work vigorously to defeat rather than amend S.1017.

OVERRIDING CITIZEN INTEREST IN NOISE ABATEMENT

Although safety and congestion at National Airport and deficient facilities at both National and Dulles Airports are serious issues, the overriding concern of WAC and many other citizen groups is with National Airport noise.

The current level of National Airport noise is intolerable, and the primary motivation for supporting the transfer is the hope that a regional airports authority will be more responsive and effective in reducing noise. National Airport indeed serves the Nation's Capitol. National Airport should be a good and quiet neighbor, both for the hundreds of thousands who live and work under or near the flight paths and for the millions who visit on business or pleasure each year.

In order to have WAC support, both the bill and congressional intent must be clear that noise abatement is an important and desired objective of the transfer. To this end, I strongly recommend, in addition to the amendments presented above, that the Act's findings (Section 2) be amended to include the following addition: "operation of the Metropolitan Washington Airports by an independent airports authority will facilitate effective policies and enforcement to minimize the aircraft noise impact associated with airport activities." Note that at present S. 1017 contains no mention whatsoever of aircraft or airport noise.

The WAC position is that market forces alone will not be enough to bring meaningful noise relief to those most affected by National Airport. The airports authority must have the legislated power to make noise relief a reality. A just released study by the highly respected avaition economics consulting firm of Robert L. Banks & Associates supports this view. The study, conducted for the Center for Urban Education and entitled "The Status of Air Transportation in the Washington Region," found no factual basis for the claim that transferring National and Dulles Airports to a regional airports authority will significantly reduce the number of commercial jet flights at National. It is all the more important, then, that the airports authority have the power to minimize noise through the kinds of other measures discussed earlier.

In sum, WAC supports the airports transfer, but the bill must give the airports authority the tools it needs to reduce noise as well as to ease congestion and imporve facilities. I strongly recommend another round of negotiations among all parties concerned, under the auspices of this Subcommittee, to develop a package of amendments that can resolve major outstanding issues and gain the broad base of support needed to successfully enact legislation.

Thank you for the opportunity to testify. I would be pleased to answer any questions that you may have.

Senator TRIELE. Mr. Wood, thank you for your testimony.

Mr. White.

Mr. WHITE. Thank you, Senator. I'm Thomas B. White. I'm president of the Fairfax County Federation of Citizens Associations.

Our federation represents over 100 citizens associations from every district in Fairfax County, VA, and we have a vital interest in the operations of both National and Washington Dulles Airports, not only because of the impact these facilities have on our daily lives, but also because they are our airports. They serve the air transportation needs of our citizens.

The operations of these airports have a direct impact on the quality of life in our communities. As the air traffic is increased to accommodate the airlines and business interests in the area, it has

impacted on the surrounding areas and we have had to pay a price, and the price continues to mount.

The price is in the form of noise pollution in our neighborhoods and also increased traffic and parking congestion at our airports. We were, therefore, pleased to find that you're considering transferring the control of these airports to a single independent regional authority.

Now, what would we like to have accomplished by such a transfer? Our specific goals are:

We want to decrease the noise pollution created by the heavy air traffic at National Airport;

And second, we want to alleviate the congestion and improve ground safety conditions at both airports, to include improvements in parking and traffic facilities, so the presently authorized number of passengers can be better served;

And next, we want to achieve a better balance in the utilization of the facilities of the two airports.

Members of the federation considered the pros and cons of the bill being proposed after listening to briefings by Governor Holton and its other sponsors. At our June general membership meeting a resolution was passed which I have attached to the testimony statement provided for your information. I will elaborate on the resolution and point out the reasoning that prevailed.

What then is our position concerning the present bill? We support the concept of transferring control of both of the airports to a single independent regional authority. We do object, however, to the fact that the bill protects the interests of the airlines and the business communities, but ignores the goals and the interests that I stated previously.

The specific objections are:

First of all, the removal of the passenger cap. That has been addressed here before.

And second is the freezing of the number of daily flights for a period of 35 years.

The basic assumption in the present bill in accepting these two conditions is that the present level of noise pollution is acceptable to the public as it stands now, and that is not necessarily true. We would like to see noise pollution reduced and we think the bill needs provisions in it that will permit the new regional authority to translate any technological breakthroughs that may occur in the future into lower levels of noise pollution, not into increased congestion by raising the passenger levels, as is one of the provisions of the present bill.

Furthermore, a 35-year freeze on any aspect of the airport operations will permit the authority to manage, but not to control the airports. It will have the responsibility for efficient operations, but will lack the authority to carry out that responsibility completely.

So what do we say needs to be done to make the bill acceptable? It must be amended to provide, first of all, for maintaining the present upper limitation on the passenger cap; and also, it must be amended to provide for a continuation of the present upper limit, rather than a freeze on the number of daily flights out of National.

Upper limits will provide the needed protection and still provide the authority flexibility to achieve a balance in utilizing the facili-

ties of the two airports. As presently written, the bill does not allow the regional authority to come to grips with the basic policy issue. It has to accept the freeze in the level of operations.

In summary, yes, the federation concurs wholeheartedly in principle with the transfer of the control of National and Washington Dulles Airports to a single independent regional authority. Such an authority is seen as the best means of obtaining the improved facilities and a new management that can respond to the goals and interests of all elements of the community, to include the residents.

However, we do not agree that a transfer that would eliminate the passenger cap at National Airport and would impose a long-term 35-year freeze on the number of flights is in the best interests of the region. We do not want a regional authority only able to manage and not be able to consider the major policy issues with regard to the airports.

We do urge the two amendments and, as I stated, we do support in principle the transfer policy.

Thank you very much for this opportunity.

Senator TRIBLE. Thank you, Mr. White.

Mr. Ingram.

Mr. INGRAM. Mr. Chairman, my name is Kenneth Ingram and I'm president of the Arlington County Civic Federation. The Arlington County Civic Federation consists of 55 civic associations located throughout Arlington County, many of which are local, neighborhood associations and several of which are countywide associations.

The civic federation, particularly through its transportation committee, on whom serves Fred Wood and Sherwin Lanfield, who is out in the audience today, have long been active in expressing the concerns of Arlington citizens relating to the problems of environmental impact and noise generated by Washington's National Airport.

As you may know, we very actively opposed the scatter plan, which is fortunately no longer with us. We have also strongly supported the passenger cap at National Airport and the nighttime landing limitations. We are particularly pleased that both of these measures are in place, although we would prefer a lower passenger ceiling, and appreciate the efforts of our local Congressman, Frank Wolf, in this regard.

We also appreciate the efforts of Senators Warner and Trible, as well as Governor Holton, who is here today, and the Arlington County Board in pursuing the goals of making National Airport a better neighbor for Arlington County.

We support the concept of a transfer of National Airport and Dulles Airport to a non-Federal airport authority for a variety of reasons. As a matter of general policy, it makes sense that the key decisions of airport growth, usage, and control should be made at the local level. This is certainly true for the airports in the home States of almost all Members of Congress, and so it should be for the Washington area. That equalty of treatment is the essence of our American system of government.

We, of course, recognize that many Members of Congress have a strong attachment to the convenience of National Airport and have historically resisted some of the proposals of Arlington County citi-

zens. While we enjoy the opportunity of showing off Arlington to the Members of Congress, we do believe that certain restrictions in the operation of National Airport, particularly in the area of safety, are very important, not only to Arlington citizens but to all users of National Airport.

Also, Dulles Airport, with the opening of Interstate 66 and the Dulles connector, is more accessible than it has ever been for use by Members of Congress and others. Thus, we hope the Congress will be amenable to the proposed changes we would like to see in the pending legislation. Mr. Chairman, I have submitted a number of those changes and I would like in the course of this brief testimony just to focus on four particular items.

One is that we do feel it is important to continue the annual passenger cap at National Airport, not only for the reasons of keeping the pressure down on the noise issue but, as Chairman John Milliken indicated, that part of Arlington County, which is directly adjacent to National Airport, is severely impacted by traffic, noise from other sources, and environmental pollution, and growth. We have an inadequate road network in that area, and we think it is very important that the situation not grow out of further control than already exists.

We also think it is important that the airports authority should have the clear statutory power to set and enforce operating policy at the airports, involving perimeter rules, slot limitations, noise standards, and noise-abatement procedures, within the current passenger cap or any lower cap, within 2 years instead of 35 years.

We also agree, as Chairman John Milliken already testified, that it is important that elected and appointed officials be eligible to serve on the governing board. I think this is a variant of the concept that the buck should stop somewhere. We think elected officials are more likely to be accountable to the concerns of citizens than merely appointed, private citizens.

And, last and very important—and this is a subject that rankles a lot of citizens in Arlington County—we think Arlington County should have the same local taxing authority with respect to National Airport that Fairfax County and Loudoun Counties now have with Dulles Airport.

We think the changes that we propose will make National Airport a safer facility for all its users and make National Airport a better neighbor for the citizens of Arlington County. At the same time, growth at Dulles will benefit the entire Metropolitan Washington region.

The changes we propose, together with balanced and carefully considered development and refurbishing of existing facilities, will, we believe, expand the travel opportunities for Members of Congress, for citizens of the Washington area, and for citizens throughout the United States who seek reasonable access by air to the Washington metropolitan area.

Mr. Chairman, thank you very much for the opportunity of placing these comments before you.

Senator TRIBLE. I want to thank each of you for your testimony and for the leadership that you've provided in representing the people of northern Virginia.

Thank you for the kind words that you expressed for Congressman Wolf and Senators Trible and Warner. It's always good to have that on the record.

And we are sensitive to the points that you've raised and we, like you, have wrestled with those concerns for many years.

As you know, we have fought to lower the passenger cap. Let me be very straightforward and ask you a hard question. Recognizing that the slot freeze and the elimination of the passenger cap are elements of a very delicate compromise, would you choose the status quo over no bill at all? I think that is the choice before us on that particular point.

Mr. INGRAM. Senator, in that sense it is fortunate that we sit here testifying before you rather than actually having to vote on the question. That is a very difficult question, and the Civic Federation in Arlington has indicated an opposition formally unless the proposed changes we seek can be made part of the bill.

I think there is certainly a hope in the community that if the bill goes forward that some of the concerns that have been expressed can be worked out over time. I think we are all sophisticated enough to realize this has represented a long effort and a lot of compromises have been made throughout the process, and if it does go forward we are hopeful that the concerns that we have addressed will find their way into the actual operations of the new airport authority and that the new airport authority be given sufficient leeway to deal with situations that come up and not be hamstrung, if you will, by so many restrictions that it does not have the flexibility to deal with issues as time goes by.

But the passenger cap is a very important issue. Noise in the area of National Airport, particularly along the Potomac River in Arlington County, are a major problem, as I'm sure the Senator is aware. The scatter plan, which generated or scattered that noise throughout the entire region, created a tremendous outcry, and it is a major source of concern.

Noise is a major environmental pollutant to citizens throughout this area and we are concerned about it.

Senator TRIBLE. I should tell you that I live in Fairfax County just south of Alexandria, and I experience firsthand the noise about which you complain.

Mr. White or Mr. Wood.

Mr. WHITE. I believe Mr. Ingram's remarks apply pretty well to Fairfax County as well. There is strong feeling among the citizens associations, particularly down in the Mount Vernon area, particularly in the areas where we do have quite a bit of increase in noise pollution. And I do think that if we remove the passenger cap it does signal to the people in Fairfax County that we are going to be bringing in new and bigger aircraft and we're going to freeze the passenger at the slot level, but we're going to be increasing the passengers that go through there and we're going to add to the congestion in the airport and the parking congestion.

And I think really the answer to the question is, if we don't have the passenger cap, that we would prefer to wait until we can get an authority that has the power to establish not only the passenger cap but reduce the slot levels if they do come up with aircraft that are improved.

Senator TRIBLE. That could be a long wait, Mr. White.

Mr. Wood.

Mr. WOOD. Well, I think that is a fair question and certainly on target in terms of the congressional process. There is certainly a sense, I think, on the part of the WAC members that a change is in order. There are substantial arguments in favor of not continuing with the status quo, but the question is upon what terms and conditions.

It is obvious that nobody is going to get exactly what they would like in the legislation, and I would characterize our view as this: We do think at this time that the bill is inadequate on the noise issue. The question that we would look at is, when you go to markup and when there is a marked up version, how far has the bill come in dealing with the noise issue explicitly?

And obviously, if 100 percent of the things that we have talked about are in the bill, there is a 100-percent chance that we will enthusiastically support it. If there is nothing in the bill, it is going to be tough sledding with the citizen groups.

What you can do with the bill—and I certainly hope you and your colleagues can strengthen it in the noise-related areas—the more you can do the greater the chances that we can really get behind that amended version. But I wouldn't want to say that it is necessary that everything be in there.

I don't think that I could characterize our position as black or white, because we want to be politically smart about this. And if we can get an acceptable bill through, we would like to see that happen.

Senator TRIBLE. Well, we will try to find an acceptable approach, one that will satisfy both all of the people that you represent and also all 100 Senators.

I look forward to working with you toward that end, and I thank you for your testimony.

Mr. WOOD. Senator, if I could make one last comment, I think some of the noise provisions that we are talking about would help get some heat under the Maryland citizens to get behind this, and I think that could improve the overall political outlook on this legislation.

Thank you.

Senator TRIBLE. Gentlemen, stay in touch. I trust you will. We look forward to working together.

Finally this day, we will hear from Mr. Eamonn McGeady, representing the Greater Baltimore Committee.

STATEMENT OF EAMONN McGEADY, GREATER BALTIMORE COMMITTEE

Mr. MCGEADY. Thank you, Senator. I appreciate the opportunity to appear before you.

For the record, my name is Eamonn McGeady. I'm president of Martin G. Imbach, Inc., a heavy marine construction firm in Baltimore, and have been active in and president of the Transportation Council of the Greater Baltimore Committee, an organization that has represented the businesses of the Baltimore metro area for about 29 years.

And I would request that the written testimony be made part of the record and I thank you for that.

I guess I come here under the old good news, bad news type flag. We've heard this morning terms like fairness and level playing field and equality of treatment. The Greater Baltimore Committee is basically for and supports the divestiture of Dulles and—forgive me if I refer to it as DCA. I have been a commercial pilot for 33 years and it is still DCA to me.

Senator TRIBLE. We know what you're talking about.

Mr. MCGEADY. We however have, not surprisingly, a feeling that the playing field in the present bill is not level. Coming from our standpoint, we believe that any objective evaluation of our concerns I think would find equity on our side, and I invite the committee's and the Senators 'attention to two or three items.

First, price. We've heard some discussions about price being a smokescreen. We suggest that where there is smoke there's fire. The proposed $47 million figure is clearly inadequate by any fair objective. There are some details in the testimony, but very briefly, there are approximately, I believe, 2,500 developable acres at Dulles. A reasonable evaluation of that at $100,000 an acre would produce about a $250 million price tag.

If you use any rational business approach, either price-earnings ratio and those types of evaluations normally used in the evaluation of a utility, which Dulles most closely approaches, you would see that, using the cash-flow generation of the concerns involved, you would produce about another $216 million worth of value.

Obviously, the total being far greater, by approximately 500 percent, than the proposed sale price. So we think that Congress needs to look at a fair evaluation of the sales price.

Senator TRIBLE. Mr. McGeady, could we talk about that just for a moment?

Mr. MCGEADY. Certainly.

Senator TRIBLE. This legislation would provide that those acres to which you refer could be used for only one purpose, and that is for airport activities. Those acres would not be available for economic development. It seems to me therefore unfair to assess their value along the lines that you've suggested.

How does one evaluate the value of property? Obviously, if one could develop those acres in some alternative fashion, they would be worth a lot of money.

Mr. MCGEADY. We believe that, first—and we think Virginia particularly is most able to handle its own development processes, and in a moment I will comment on that.

Senator TRIBLE. Let's just talk about the value of the property.

Mr. MCGEADY. I'm trying to address that. The question is, very candidly, that the innovativeness of administrators in determining what is aviation-oriented development would know no bounds. Xerox has already indicated a desire to do a major development in that area, it is our understanding. The development of virtually any support or technical business that relied on aviation or service to aviation even in the most remote fashion could clearly be determined to be an aviation-related development purpose.

Obviously it would not become a new steelmill or a new automobile manufacturing plant, but I suggest to you that anything

having to do with computers or high technology or radio or radar or anything like that would be allowed.

Senator TRIBLE. That is certainly not the intention of this legislation. And I would point out for the record that the legislation, in establishing the conditions of the lease, provides for strict review by the Secretary of Transportation and for a recapture of the possession of the land should it be used in some other fashion.

Mr. MCGEADY. Let's concede for the moment at least that there is some value in the land, whether our $100,000 an acre—and that might be too low or it might be too high, but there is some value to the land.

But that leads to my second major point, and that is that from our standpoint we clearly see the Federal Government taking sides with respect to a development question. Now, Virginia and Maryland, including D.C., clearly now have competition, if you will, frequently friendly and sometimes not so friendly, with respect to a regional development posture, and that is as it should be.

We in the Baltimore area see in effect the playing field being severely tilted in favor of Virginia by granting Virginia a major development asset to which Baltimore-Washington International is the comparable in Maryland, being fully developed by State funds and State taxpayers, yet now having to compete with what in effect was a fully subsidized installation.

That is our position. We see that—we believe that Virginia should have control of the Dulles facility and that should be available for development, but it should be done at an evenhanded price.

The third aspect of our concern: We believe that DCA or National is truly a unique asset. It doesn't really fit into either the Maryland situation or the State of Virginia. It clearly is the District's home airport. We believe that it should also be divested, but should be divested in such a way that there would be a regional control by a Maryland, Virginia, D.C. group, as opposed to the current provisions in the bill. I think that is a relatively minor revision that would be required.

In substance, we support the divestiture. We think it should occur. We think it is the proper way to go. We think that in the question of fairness that equity is on our side and that Congress does need to look at the equity of the situation.

With respect to the transfer to Virginia of Dulles and to an authority composed of those people most interested for DCA, we do not speak, because it really is out of our jurisdiction. We do not speak to the question of slots and caps and noise control. We recognize that that is of particular concern to northern Virginia and portions of Maryland and the citizens of the District.

I would be glad to answer any questions.

Senator TRIBLE. Well, I'm not going to grill you with questions, Mr. McGeady. I recognize the viewpoint that you've expressed. I applaud your presence here today and your willingness to provide the Maryland viewpoint.

I think, though, that the tack taken by our friends in Maryland, which is not unexpected, is that anything done with these airports to enhance their operation will undercut Maryland and BWI. And thus we have seen the opposition set forth.

What has come to my mind today, I must tell you, is that that parochial opposition is perhaps the best argument against an equally weighted voice in the administration of these airports, because it seems to me that if Maryland was given an equal voice that they would continue to advance and protect their parochial interests and would frustrate whenever possible efforts to improve the operation of these airports and the service to the people, not only of this region but the country.

But it is very difficult, obviously, to reconcile the interests at stake, and they are many faceted. They exist not only in our States and in the interests of the citizens of the District of Columbia, but we also have to speak in some fashion to the national interest at stake as well.

Mr. McGEADY. Senator, if I may very briefly, with respect to the competition, we in the business community believe and have argued for some number of years and, very bluntly, have put our money where our mouth is, that BWI can compete. So we really have no problems with the competition between the two.

Senator TRIBLE. As long as National and Washington Dulles remain shackled to the Federal Government.

Mr. McGEADY. Well, the shackling recently has been to their advantage. They have had over their lifetime over $700 million of capital improvements made, essentially all supported by the feds, where BWI has competed fairly and evenly with just State and local funds.

But leaving that aside for the moment, we're not afraid of competing with Dulles and DCA at BWI. We're doing that now reasonably successfully. We see no problem there.

And secondly, with respect to Maryland's voice in the running of Dulles and its environs, we absolutely from a business standpoint do not think Maryland belongs on that playing field. Under our request, our suggestions, Dulles would become an economic asset of the State of Virginia, with no Maryland participation in any way, shape or form.

We think Virginia does a very good job at competing and would continue to do so, and we think that is the way it ought to be.

Senator TRIBLE. Mr. McGeady, I'm pleased you relish competition, because I can assure you you will have much more competition in the days ahead.

I will also tell you that, as someone born in Baltimore, MD, I would do nothing to disadvantage the citizens of Baltimore or the great State of Maryland.

It is a pleasure to have you here today, and with that we will bring the session to a close.

[Whereupon, at 11:50 a.m., the subcommittee was adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Statement of Hon. Edward Zorinsky, U.S. Senator From Nebraska

Mr. Chairman, members of the committee, it is always an honor to appear before this distinguished subcommittee. I appreciate the opportunity to express my views on a subject of importance to Nebraska and all states located more than 1,000 miles from Washington National Airport.

The bill before you would transfer control of National and Dulles airports from the Department of Transportation to a regional authority. If the authority over National and Dulles airports is to be transferred to a regional entity, there are regulations which should be terminated. In particular, I believe that the perimeter rule has outlived its usefulness and should be among the first to be eliminated. Conceived as neither a noise nor as a safety rule, the perimeter rule was established to maintain the economic vitality of Dulles airport.

The rule in its current form prohibits nonstop operation between National Airport and points more than 1,000 miles distant. Once an enormous white elephant, Dulles no longer needs this protection. The continued enforcement of the perimeter rule hinders the competition that deregulation has sought to foster; adversely affects those cities within the operational range of aircraft operating out of National Airport; and reduces the options for consumers traveling beyond the artificial and arbitrary limit of 1,000 miles from National Airport. The rule plainly discriminates against consumers traveling to and/or residing in approximately two-thirds of our nation's land mass.

Operations at National Airport are capped and are not likely to change whether the Federal Government retains control over it or not. There will be ample testimony before this subcommittee today concerning increased traffic at Dulles and the need for new facilities there to handle its even-burgeoning use. There is no logical reason to expect that elimination of the perimeter rule will lead to a diversion of operations from Dulles to National, and airport where the number of flights remains restricted. The growth patterns of the greater Washington Metropolitan Area would also give credence to the opinion that such a diversion will not occur.

With the advent of deregulation, the airline industry has adopted a hub-and-spoke concept for its operations. Various hubs compete for traffic throughout the United States. Airlines establish hubs or central points for collecting consumers and then disperse them along the different spokes as the travel flow dictates. It is both an effective and efficient concept. The perimeter rule discriminates against those airlines with primary hubs beyond the 1,000 limit. My own state of Nebraska for the most part lies between the 1,000 mile perimeter and the 1,500 mile operational range of the aircraft which use National Airport. Nebraska is more fortunate than most in that our largest city, Omaha, is just within the limit. Nevertheless, I believe that the perimeter rule affects choices consumers should be permitted to make for themselves.

For example, consumers presently choose to fly from National to Dulles or BWI in an effort to get around the perimeter rule. Surely, this is inefficient and wasteful. American Airlines alone has reported using over 3 million gallons of fuel each year to accomplish these stops, when it could service each airport separately without the perimeter rule. The elimination of the perimeter rule in this respect represents the fortunate confluence of both economic and energy conservation objectives.

There is no question that the number of stops which an aircraft makes affects consumer choices in selection of airlines and fares. Currently, three cities beyond the perimeter possess the economic base that would justify non-stop service from National: Dallas-Fort Worth, Houston and Denver. In the future, there will undoubtedly be others, perhaps even in Nebraska. When a hub is established west of the perimeter, service and traffic flow will improve to the Midwest and Western parts of the nation. The potential spokes emanating from these new major hubs will improve service to smaller cities throughout the region. In addition, it will increase consumer choices when traveling beyond the perimeter. The consumer deserves the opportunity to make those choices.

Mr. Chairman, while I support the goal of increased free market competition through deregulation, experience has shown that on occasion the deregulation process manifests economic casualties and unanticipated complications. Fortunately, the elimination of the perimeter rule does not present such a case. Rather it is a straightforward example of deregulation that not only serves to further the worthwhile goal of free market competition, but that does so without sacrifice.

The perimeter rule may at one time have served a valid purpose. That time has long since past. My state and region of the country have been somewhat disadvantaged by this rule. While you are considering the transfer of National and Dulles to a regional authority, does it not make sense to provide that entity with as clean a slate as possible from which to operate? I hope that you will support the elimination of the perimeter rule and provide the air-traveling public of this nation with a stronger airline system and the maximum diversity in acccomplishing their traveling objectives.

Thank you very much for making this opportunity to testify available to me.

STATEMENT OF WILLIAM T. COLEMAN, JR.

At the request of the Honorable Paul S. Trible, Jr., I have reviewed S. 1017, the Metropolitan Washington Airports Transfer Act of 1985. I recommend that this subcommittee report favorably on this legislation and urge Congress to pass it expeditiously. If enacted, the proposed legislation will be of great benefit to both the federal government and the Washington Metropolitan area.

The proposed transfer of Washington National and Dulles International Airports to an independent, privately funded, regional authority is consistent with the policy of limiting the role of the federal government in areas that are better served by state and local governments or private enterprise. It further is consistent with the way airports are owned and managed generally in this country and, indeed, in many of the capital cities of other nations. London's Heathrow Airport, for example, is operated by the British Airports Authority which is a separate entity, independent of the Civil Aviation Authority which regulates aviation for all of the United Kingdom. Furthermore, there are now plans in London to privatize Heathrow Airport and thus remove it from the public sector completely.

Federal management of Washington National and Dulles Airports is not only unique in our nation's federal system of airport management, but it creates particular problems for the Federal Aviation Administration [FAA], the airports and Congress. These problems include: (1) The additional burden that responsibility for airport operation and development places on the FAA budget which already must meet substantial financial requirements for modernizing and operating the air traffic control system at a time of severe budget constraints; (2) The tension between the FAA's responsibility to maintain the free flow of interstate commerce and to regulate navigable airspace and the local airport proprietor's responsibility to protect airport neighbors from excessive airport noise; (3) The conflict between national politics and local politics which often subjects National Airport to time consuming Con-

gressional oversight and intrusion and frustrates long term planning and funding of the two airports as a coordinated regional airport system.

FINANCING AIRPORT OPERATIONS AND CAPITAL IMPROVEMENTS

The federal government, as proprietor of the two airports, is responsible for all the costs of management, maintenance, labor and capital improvements which are essential to operating National and Dulles. Consequently, the FAA and Congress are compelled to spend valuable time and resources in order to maintain adequate airport services for the Washington Metropolitan Area. As of April, 1985, the "hypothetical debt" owed to the U.S. Treasury for expenditures made for airport operations totalled $67.3 million. In addition to these costs, Congress will have to appropriate millions of additional dollars in order to finance the much needed expension of Dulles International and the renovation of facilities at Washington National.

Unfortunately, the Metropolitan Washington Airports require substantial additional funding at a time when the federal deficit calls for drastic budget reductions. Expenditures for capital improvements at regional airports are thus a likely candidate for elimination or reduction.

Yet, the Holton Commission Report found that both Washington National and Dulles International Airports need material capital improvements in order to serve properly the transportation needs of the area. More specifically, Dulles International must build a midfield terminal in order to establish its capacity and attract new carriers willing to establish a hub there. This expansion is very much needed to enable Dulles International to compete effectively with other airports, and to allow the Washington Metropolitan area to reap the benefits from airline deregulation. Washington National also requires new funding to modernize its parking roadways, and terminal facilities. At present, Congress controls the purse strings which determine whether the citizens of Virginia, Maryland, the District of Columbia, and the thousands of visitors to the Metropolitan area will be able to use an airport system that fulfills their needs. These airports uniquely may become the victim of severe federal budget constraints. Every other major airport in the nation is able to finance its own operations and adapt to the changing needs of the communities it serves. It makes little economic or political sense therefore for the federal government to continue to operate and fund the Metropolitan Washington Airports when the regional authorities are willing to undertake that responsibility.

BENEFITS OF THE METROPOLITAN WASHINGTON AIRPORTS TRANSFER ACT

Secretary Dole, the Holton Commission, Senators Trible and Warner and many Members of Congress have produced a bill that will eliminate many of the problems realized by federal ownership of the airports and simultaneously benefit the Metropolitan area.

The benefits are significant. First, the federal government will recoup virtually every dollar it has invested in National and Dulles Airports, plus interest. The provisions of the thirty-five year lease arrangement would return through lease payments about $47 million in past capital investments, and the federal government would be relieved of more than $30 million in pension liability for the seven hundred workers employed at the airports. Second, Congress and the FAA will be free to focus time and money previously spent for National and Dulles on areas of greater national concern. Third, Congress will be relieved of all future obligations with respect to financing the airports. The financial report from Wheat, First Securities of Richmond and Salomon Brothers of New York concluded that an independent Metropolitan Washington Airports Authority would be self-sustaining, and capable of financing major improvements at both National and Dulles at favorable rates through the issuance of tax-exempt revenue bonds, without appropriation of federal or state funds. Consequently, it appears that an independent regional authority could operate and expand the existing airport facilities without spending any federal or state tax dollars.

The proposed transfer would offer many advantages for the local community. The amount of available funding for capital improvements in the airports would increase dramatically. The independent regional authority will have tax-exempt bonding authority so that the resources of the private money market will be readily available. In addition, Dulles and National will be eligible for grant-in-aid funding from the Airport and Airway Trust Fund, which is funded through aviation taxes. Increased funding will permit the expansion and upgrading of the existing facilities. The expansion at Dulles is of particular importance because a midfield terminal will attract new carriers to establish operations there. New carriers will bring more jobs, more flight options, and more competitive pricing by the airlines.

An independent regional authority will also effectively shift control over the transportation supply to the community which is dependent upon the two airports for adequate service. Local control of the airports will be more responsive to local concerns, and airport operations will no longer be encumbered with considerations about the fiscal stability of the nation and other matters of a purely national nature.

The regional authority, as proposed, is well-suited to respond to the various concerns of Virginia, Maryland, and the District of Columbia. The composition of the authority's board membership will reflect proportionately the interests of the three jurisdictions, and the bill provides adequate safeguards to assure an effective, nonpartisan management.

The transfer by long term lease creates a vehicle through which the government's investments are recouped in the form of lease payments, and in addition, the federal government still retains some control in the event that the independent authority is unable to assume the management of airport operations successfully.

Finally, the Metropolitan Washington Airports Transfer Act addresses the labor and environmental concerns associated with the transfer of the airports to a regional authority. The current federal employees' protection will be extended for two years, and the independent authority will assume responsibility for the existing pension plans.

The bill's provisions which relate the environmental and air traffic concerns at Washington National are tailored to retain the night noise regulations, and the present air traffic level of 37 flights per hour will remain frozen. There will not be any significant safety or environmental problems which result from the transfer of the airports, and the regional authority will be required to maintain the current level of service available at National Airport. Other decisions concerning the use of the local airports, such as the operation of widebody aircraft at National, would be made by the regional authority and thus not be encumbered with national and international politics.

Finally, in fulfilling its nationwide safety and noise regulatory responsibilities, in administering the airport grant program, and in ensuring that the interstate air transportation system functions smoothly, the FAA can relate evenhandedly to National and Dulles Airports as it does to the Nation's other airports, without seeking to justify special treatment for the federally owned airports.

CONCLUSION

Transfer of the Metropolitan Washington Airports to an independent local authority is an important step which furthers the policy of defederalizing those programs and projects which traditionally belong to state or local government or the private sector. At a time of limited federal resources, legislative action which transfers the costs of a particular operation to the more resourceful private sector is to be commended. Now, some thirty-six years after the Hoover Commission first recommended that Washington National Airport cease being owned or operated by the FAA, the members of Congress and the Department of Transportation are proposing that the federal government get out of the business of commercial airport operations. This proposal is desirable and entirely appropriate. Accordingly, I strongly endorse the Metropolitan Washington Airports Transfer Act of 1985 and urge Congress to pass it expeditiously.

STATEMENT OF THE MARYLAND CHAMBER OF COMMERCE

Mr. Chairman, ladies and gentlemen of the committee. I would like to thank you for this opportunity to present the opinion of the Maryland business community regarding the impending disposition of Dulles and National Airports. My name is David G. Mongan, Vice President of Kidde Consultants, Towson, Maryland, and I am here today representing the Maryland Chamber of Commerce as Chairman of their Transportation Committee.

The Baltimore Washington International Airport has, over the past few years, become a jewel in Maryland's transportation system, and, quite frankly, we do not want anything to occur that will dampen the lustre of that jewel. Passenger traffic at BWI has more than doubled in the past 10 years. Air cargo traffic has even greater increases. BWI Airport, like the port of Baltimore, represents a major element of Maryland's economy. Maryland's continued business expansion and growth is dependent upon a viable and successful BWI Airport. Without BWI and its links to the nation and the world, many of the businesses that have recently located or expanded in Maryland would not have done so. Convenient, reliable and effective air trans-

portation is a key element in the growth of high-tech industries. The rapid growth of industrial faciltiies near BWI airport is testimony to the success that BWI has played in Maryland's economy.

The citizens, business community, and taxpayers of Maryland have had to pay a price for the success of the BWI Airport. Over the past 15 years, over $200 million of investment has been made in the airport. Millions of dollars of additional investment are also planned for the next five years. To create a situation that would force BWI to operate with an uncompetitive disadvantage would be disasterous to Maryland's future economic growth, particularly when alternatives to that situation exist. Let me be more specific; the proposals now before you would indeed place Maryland's BWI Airport at a competitive disadvantage for the following reasons:

(1) The proposed $47 million purchase price for Dulles/National Airport compared to its market value would present the new authority with virtually unlimited bonding capacity.

(2) The transfer of undeveloped land around Dulles Airport without the full consideration of the purchase price will provide additional major source of revenue through the future sale of lease of this undeveloped land for compatible airport uses.

(3) The removal of the 1,000-flight restriction from National Airport, along with the removal of the passenger cap will further add to National's crowded and potentially hazardous conditions.

(4) The structure of the proposed authority with 5 representatives from Virginia, 3 from the District of Columbia, 2 from Maryland and 1 Presidential appointment places overwhelming control of National/Dulles Airports with Virginia and District interests without adequate safeguards for Maryland.

The Business community of Maryland and the Maryland Chamber of Commerce are not opposed to the transfer of Dulles and National Airports to a new authority; however, we are opposed to the structure of that transfer for the reasons that I have just stated. We would suggest that a more equitable and competitive transfer of ownership be undertaken based on the following conditions:

(1) The purchase price for the airports be based upon a fair market value for the two airports. A recent estimate placed that market value at approximately $350 million.

(2) The undeveloped lands around Dulles Airport be excluded from the transfer. These lands should be retained by the government and disposed of in an equitable traditional fashion. This real estate can offer additional revenue to the Federal government over an above the sale of the two airports.

(3) The retention of the existing operational restrictions at National Airport. These restrictions should be maintained not only from an environmental concern over noise, but also because of concern over safety at National Airport.

(4) A restructuring of the authority so that Maryland, the District of Columbia and Virginia share equally in the representation with 1 additional Presidential appointee.

We feel that if these changes are made to the proposed legislation, then BWI can operate in an environment of free competition without undue advantages being placed at National and Dulles Airports. BWI is not afraid of competition. It has competed very effectively with Dulles and National in the past, and welcomes the opportunity to compete in a fair and equitable market place in the future.

Again, I would like to thank you for the opportunity to present the views of the Maryland Chamber of Commerce and the Maryland business community on this issue of vital interest Thank you.

STATEMENT OF PHILIP CHABOT

Mr. Chairman and members of the committee, first, I would like to thank you Mr. Chairman, and the Members of the Subcommittee, for the opportunity to submit these comments on S. 1017, a bill providing for the transfer of the Metropolitan Washington Airports to an independent airport authority.

With the opening of National Airport in 1941, the Federal Government undertook a unique responsibility: the construction, operation and maintenance of an airport for civil aviation serving the City of Washington, D.C. That responsibility was expanded in 1950 when Congress authorized the construction of Dulles Airport. Nowhere else in the country does the United States exercise such responsibility. As the proposed Findings of the Bill state, "all other major air carrier airports in the United States are operated by public entities at the State, regional, or local level."

Almost since its inception, the appropriateness of Federal ownership and operation of these airports has been the subject of discussion and controversy. The Hoover Commission urged that National Airport be chartered as a Federal corporation and operated as a business in 1949. Bills to implement that suggestion were introduced in five sessions of Congress. The Nixon Administration proposed that National and Dulles Airports be sold to the highest bidder in 1971 and a bill to that effect was introduced in Congress. President Ford proposed the transfer of the airports to state or local authorities in the FY 1975 budget. Congress took no action on any of these initiatives.

The time for such action has come. Whatever justification there may have been for Federal ownership and operation of these Airports has diminished over time.

Critics of FAA administration of National and Dulles have pointed out that under Federal control, there has been inadequate long-range planning, technologicl lag, growing obsolescence of terminal, parking, and other facilities, and lack of responsiveness to the needs and interests of both consumers and neighboring residents.

Some have suggested that the solution to these problems lies not only in Federal divestiture of the Airports, but their sale to private, profit-making interests. Beginning with the observation that airports located within the same geographic and economic market naturally compete with one another, these advocates of privatization reason that airports are not monopolies. From this, they conclude that neither public ownership nor regulation of such facilities is appropriate because private competition will result in the delivery of airport services at the lowest possible cost.

This analysis, however, rests on false ground of at least two reasons.

First, experience in electric utility regulation, for example, demonstrates quite clearly that competition plays a vital role even in a monopolistic industry. Energy intensive firms often make their locational decisions based upon the availabilty and cost of electric power and energy. There is often, as a result, intense competition among both investor-owned utilities and between investor- and municipally-owned utilities for such customers. Such competition does not, however, mean that the utilities are not monopolies nor that the industry is not monopolized.

The mere existence of competition between airports located within the same economic market does not, therefore, support the conclusion that airports should not be regarded as natural monopolies. In fact, airports meet the essential criteria long employed by economic analysts to identify the existence of monopoly power. They are capital intensive; they benefit from economies of scale; and duplication of their facilities to serve the same market result in economic inefficiency.

Most importantly, the argument of the privatists overlooks the fact that airports have greater responsibilities than to provide services at the lowest possible cost. The profit motive may result in economic efficiency, but it does not necessarily advance or secure the interests of nearby communities, the travelling public, air carriers, general aviation, airport employees, Federal and State Government and other interested groups. There is a lesson in the fact that all major air carrier airports in the United States are operated by public utilities. Airports today provide such a basic community service that either public regulation or pubic ownership is essential in order to guarantee that they are operated in the public interest.

The appropriate question before this Committee is not, then, *whether* these Airports should be operated by a public entity, but *which* public entity is most capable of operating the Airports in a manner which best serves the public interest.

Both the Holton Commission and Secrtary Dole have concluded that a regional airport authority established by the Commonwealth of Viriginia and the District of Columbia, governed by a board with representatives appointed by the District, Virginia, Maryland, and the President of the United States, is the appropriate choice. The bill before you would implement that recommendation.

I believe that Virginians are virtually unanimous in their support of the regional authority concept. Indeed, the Virginia General Assembly, has already passed legislation that would enable the Commonwealth to respond quickly to the passage of this or similar legislation.

The reasons for establishing a regional airport authority are many. There will be a greater self-interest and hence a greater incentive to engage in long-range planning, to reduce technological lag, and to make timely improvements in airport facilities. The creation of an independent authority would not only create a new source of capital, but relieve the Federal Government of an obligation to provide capital at a time when its own resources are severely strained. Moreover, our experience in local self-government gives us every reason to believe that local control will result in increased responsiveness to the needs and interests of both consumers and neighboring residents.

The limitation of Maryland's involvement in the proposed authority is not a weakness in the bill; it is one of its principal strengths. Maryland already has a locally administered airport. That airport is clearly in competition with both National and Dulles. By providing limited representation to Maryland on the authority's board, the bill assures that Maryland's voice will be heard, but that competition will continue.

In the interest of competition, some have argued that National and Dulles should not be divested as a unit. While attractive in theory, this argument overlooks the central fact that there are geographic, technological and environmental limits on National's ability to compete with either Baltimore or Dulles. The length of National's runways are at their limit. No new runways can be added. Space for service facilities is limited. Transportation and parking facilities are saturated. The environmental interests of local residents place a restraint, given existing technology, on increased use. Indeed, Dulles was built for the express purpose of permitting the use of large aircraft which could not be accommodated at National and to relieve congestion at National. Viewed in their proper context, these two airports are complementary, not competitive.

Critics of the proposed bill have also used the concept of competition to argue that the recommended consideration for the lease is inadequate and would give the regional authority an unfair advantage over Baltimore. They urge that the authority should be required to pay fair market value.

Here again, however, experience in the electric utility industry is instructive. Whenever the property of a public utility is condemned for a public purpose, the value of the property is not fixed at its fair market price, but at its depreciated book value. This is done because the value of the property to the utility is not its commercial value, but its value as a capital investment upon which it is permitted to earn a fair rate of return.

Similarly, the value of the property to the United States is not its value at the highest and best use, but its value as an operating airport. That value is appropriately represented by the "hypothetical indebtedness" used as the basis for consideration to be paid under the bill. To require the purchaser to pay fair market value would be to require the purchaser to pay for something he is not getting, i.e., the ability to use the property at its highest and best use.

In deciding whether to retain Federal ownership and operation of these facilities or to transfer them to a regional authority, it is worth noting that in no other jurisdiction in the United States is local government precluded from exercising control over such a fundamental resource. In no other region of the country must local citizens bear the environmental burdens which the operation of an airport necessarily entails with so little local control over the responsible administrative agency.

The bill, as drafted, corrects this inequity, yet contains adequate safeguards to protect legitimate Federal interests.

The bill you have before you will probably be amended as it passes through the various stages of the legislative process. As you will hear from representatives of our local governments, our civic associations, and the like, many Northern Virginians would like to see some modifications; particularly those which would assure continued protection of the environmental concerns of local residents.

In addition, I question the necessity of precluding public officials from appointment to the Authority; particularly inasmuch as it is a common practice in the Commonwealth to have a member of the General Assembly serve on boards and commissions in order to promote legislative oversight. I question whether any property should be subject to surplus property disposal at the end of the lease term. And I would hope that the final bill would make clearer what I believe to be the bill's intent of providing a judicial remedy in the event of a violation of its terms. Similar enactments of congressional intent have often foundered on judicial restraint embodied in such concepts as sovereign immunity or the lack of law to be applied in determining the reasonableness of administrative actions.

I commend these issues to your further consideration and deliberation in the hope that your collective judgment will produce the best result.

One cannot enter the Nation's Capital—whether by automobile, rail, or air—without having acquired an acute awareness that transportation is a fundamental, perhaps the fundamental problem of the region. Dulles and National Airports have a major influence on the patterns and nature of economic growth in the region. Businesses decide to locate in Alexandria, Crystal City or Arlington because of the proximity of National Airport. Entire new communities, large industrial and commercial establishments, and a State promoted center for technology are being built in western Fairfax County because of Dulles Airport. It is clear that, as stated again in the proposed Findings, "the two federally owned airports . . . constitute an important

and growing part of the commerce, transportation, and economic patterns of the Commonwealth of Virginia, the District of Columbia, and the surrounding region."

It is time that those most affected by the operation of these airports be given the opportunity to assume responsibility for them. The establishment of a regional airport authority to administer National and Dulles is an idea whose time has come.

STATEMENT OF GENE E. OVERBECK, SENIOR VICE PRESIDENT, GOVERNMENT AFFAIRS, AMERICAN AIRLINES, INC.

American Airlines, Inc. supports the proposed transfer legislation for all the reasons set forth in the statement of the Air Transport Association. American also believes, however, that the rule prohibiting nonstop operations between Washington National Airport and points more than 1,000 miles distant should be included in the enumeration of regulations that cease to be in effect on the date of transfer. This rule, often referred to as the Washington National "perimeter rule," has outlived its usefulness. It is therefore both timely and appropriate that the rule be eliminated in conjunction with the transfer of the airports.

ORIGINS OF THE PERIMETER RULE

The perimeter rule is neither a noise rule, nor a safety rule. The rule dates back to 1966, and was designed soley to prevent a diversion of traffic from Dulles to Washington National. It must be remembered that Dulles was something of a white elephant in the 1960's, a time when there were no restrictions on the number of operations at Washington National, and the FAA was quite properly concerned about the economic viability of Dulles over the long term.

All that has changed in the last two decades. While the prevention of diversion from Dulles may still be a valid objective, the rule is no longer necessary to prevent such a diversion. There are two reasons for this conclusion: First, there can be no increase in the number of operations at Washington National because all available "slots" at that airport are already being utilized. Second, the number of passengers who prefer Dulles to other Washington airports is growing dramatically.

In American's case, the growth in passengers who prefer Dulles can be measured on the Dallas/Ft. Worth route. Five years ago, American carried more than four times as many passengers between Baltimore-Washington International Airport [BWI] and Dallas/Ft. Worth as it did between Dulles and Dallas/Ft. Worth. Today, Dulles has surpassed BWI as a traffic generating point for American's Dallas/Ft. Worth hub.

There is also a common misconception that Dulles is greatly underutilized. At peak hours, Dulles is already a congested facility. Pan Am's operation of its new Dulles hub, which commenced on June 1, has the potential to add more than 10,000 new passengers to that facility each week. New York Air has announced plans to expand service at Dulles. In fact, if the construction of the proposed mid-field terminal at Dulles is not expedited, Dulles will soon find that it has more passengers than its current facilities can comfortably accommodate.

AMERICAN AIRLINES IS UNIQUELY DISADVANTAGED BY THE PERIMETER RULE

In the wake of deregulation, many of the nation's airlines restructed their route system so as to permit the combination of traffic flows over hub-and-spoke systems. American's principal hub is located at Dallas/Ft. Worth, and is graphically portrayed in Exhibit A. It competes for many of the same east-west traffic flows as hubs operated by other carriers at Atlanta, St. Louis, Kansas City, Chicago and other cities. Although American competes on an equal footing out of Dulles and BWI, its services at Washington National are disadvantaged by the artificial requirement of a stop between that airport and Dallas/Ft. Worth.

Consider the example of a passenger desiring to travel to Honolulu, departing in the morning from Washington National. Convenient connections are available at three hubs within the 1,000 mile perimeter that offer nonstop service to Hawaii. While a convenient connection is also available at American's Dallas/Ft. Worth hub, the requirement of an additional stop along the way makes that service significantly less attractive to the passenger.

THE PERIMETER RULE HAS GIVEN RISE TO HOPS BETWEEN WASHINGTON NATIONAL AND DULLES/BWI

The "hops" operated between Washington National and the other two Washington airports—Dulles and BWI—are generally perceived to be wasteful and ineffi-

cient. The fact is that these "hops" are the best means at American's disposal of connecting Washington National to its Dallas/Ft. Worth hub. We cannot force passengers to shift from National to Dulles. We face a choice of either abandoring the air travel market between Washington National and points served by the Dallas/Ft. Worth hub or continuing to serve this market in a manner that best accommodates the desires of our passengers.

We have elected not to abandon the market and have found that the "hops" are the best means of coping with the perimeter rule. Of all the passengers that American carried between the Washington area and Dallas/Ft. Worth in the first three months of 1985, 27% utilized its nonstop services at BWI, 30% utilized its nonstop services at Dulles and 43% utilized its one-stop services at Washington National Airport, most of which involve the Dulles or BWI "hops."

ELIMINATION OF THE PERIMETER RULE WOULD NOT RESULT IN A REDUCTION OF SERVICE BETWEEN WASHINGTON NATIONAL AND SMALL CITIES WITHIN 1,000 MILES

The fear is sometimes expressed that elimination of the perimeter rule would cause airlines to shift service from small cities less than 1,000 away to larger cities more than 1,000 miles distant. In American's case, the only reduction in service would be the elimination of the Dulles and BWI "hops." American currently devotes 15 Washington National slots to the Dulles and Baltimore Washington "hops," all of which could be eliminated. Without the scheduling restraints imposed by the perimeter rule, each nonstop roundtrip between Washington National and Dallas/Ft. Worth would require only two slots. Thus, there would be no reason for the new nonstop services between Washington National and Dallas/Ft. Worth to affect any services to other cities.

While we cannot speak for other airlines, it seems clear that any airline that wants to operate nonstop service between Washington National and a point more than 1,000 miles away is already serving that point by way of some hub city such as Atlanta or Chicago. Thus, certain hub services might be converted to nonstop services, but small cities would have no reason to fear loss of service as a result of the elimination of the perimeter rule.

ELIMINATION OF THE PERIMETER RULE WOULD NOT CAUSE AMERICAN TO DECREASE SERVICE AT DULLES

All but one of American's current Dulles-Dallas/Ft. Worth roundtrips originate or terminate at National. If the perimeter rule were eliminated, American would initially operate four nonstop roundtrips betwen Dallas/Ft. Worth and each of the three Washington airports.

An example of the current early morning westbound pattern of service is shown on Exhibit B, and a revised pattern of service reflecting elimination of the perimeter rule is shown on Exhibit C. These service patterns occur four times a day in each direction. It may be seen that all three Washington airports would receive improved service, Dulles and BWI because there would be more seats available on existing flights and National because the requirement of a technical stop would be eliminated.

Over the longer term, as traffic at Dulles continues to grow, American would plan to upgrade its service by substitution of widebody aircraft such as DC-10s or 767s. That substitution is not possible so long as American's Dulles service continues to be linked to National because widebody aircraft cannot operate at National.

ELIMINATION OF THE PERIMETER RULE WILL RESULT IN ONLY MODEST CHANGES IN CURRENT SERVICE PATTERNS

Some people appear to be under the impression that elimination of the perimenter rule will result in a proliferation of nonstop service between Washington National and points beyond 1,000 miles. This is not the case. Dallas/Ft. Worth, Houston and Denver are the only points that might reasonably expect nonstop service to and from Washington National. Points more than 1,500 miles away are generally beyond the operational range of the aircraft currently operated at National. A map illustrating the 1,000 mile perimenter and the 1,500 mile range is attached as Exhibit D to this statement.

ELIMINATION OF THE PERIMETER RULE WILL NOT INCREASE NOISE AT NATIONAL AIRPORT

As indicated above, the perimeter rule is not a noise rule. Noise is a function of the number of operations. At Washington National, that number is limited by a rule that allocates hourly slots. All the available slots are currently being utilized.

Thus elimination of the perimeter rule will not increase noise levels at Washington National because the number of operations will not increase.

ELIMINATION OF THE PERIMETER RULE WOULD SERVE THE PUBLIC INTEREST

There is a public interest in conservation of of both fuel and air traffic control capacity. Elimination of the "hops" between Washington National and the other two Washington airports would save about 3 million gallons of fuel per year and would result in about 22 fewer landings and take-offs each day in the Washington area. (The "hops" require 30 landings and take-offs, while the four nonstops that would replace them would require only eight.)

CONCLUSION

The Washington National perimeter rule is an anachronism. It is a rule that has outlived its usefulness, one that in today's world serves no valid purpose.

NAHANT, MA, *June 28, 1985.*

Senator PAUL TRIBLE,
U.S. Senate,
Washington, DC

DEAR PAUL: I have been away for a couple of weeks and came across your letter when I was going through the volume of mail that accumulated during my absence.

I talked to one of your secretaries and she informed me that you were conducting the hearing on June 26, so it was too late to mail you my comments. I understand, however, that you will be holding another hearing in July and I am pleased to say that I have looked over both the resume of the Bill as well as the Bill itself (S-1017), and would say that it has my endorsement.

As you indicated, various administrations have tried to accomplish this but it just never came about for a variety of reasons. The Federal government should not be in the business of running airports.

I think the financial terms of the Bill are well thought out. The employees are well taken care of and I sincerely believe overall, that it would be to the advantage of the Federal government to have an Authority take over the operation of the Dulles and National Airports.

Sincerely,

JOHN A. VOLPE.

STATEMENT OF BENJAMIN LAWRENCE

Mr. Chairman and members of your Committee. My name is Benjamin Lawrence. I am a resident of Leesburg, Virginia which is located in Loudoun County, Virginia and I am the Democratic candidate for the Virginia House of Delegates for the District which includes Loudoun County. As you know, part of Washington-Dulles Airport is located in Loudoun.

I believe I am expressing the view of many people in our County when I say we are getting frustrated over the Federal government's control over Dulles. We are forcefully supporting the present proposal to turn Dulles and Washington National over to a regional authority. For years we have lived with the reality that the Federal government, for some strange reason, wishes to own and operate two airports. The fact that one is located just across the Potomac from the capitol, while the other is located approximately 30 miles away provides little justification for this control. They are the ONLY airports owned and operated by the Federal government as commercial operations.

Some of your colleagues have emphasized the critical necessity for ensuring access to the capitol as a basis for arguing continued Federal control. If that argument is tenuous vis a vis National (and I believe it has NO foundation) the argument gets silly when talking about Dulles. As pointed out in an editorial in The Washington Post recently, the same argument could be made to take over the Trailways Bus Depot—ie., the need to guarantee access to Washington for legislators.

The bill you have received from the Executive Branch represents the fruit of considerable labor by a number of experts, and it incorporates the support from officials in Virginia, the District of Columbia, and in Maryland. I support that bill as a first step to bring such facilities under the control of those who are most directly affected by their operation—the local and state jurisdictions. Though others have

argued more forcefully than I, the following considerations bear repeating to assist you in your deliberations on this bill:

(1) Washington Dulles is in Virginia. It should be operated and controlled by Virginians in cooperation with other regional representatives who know much better than you what is best for the region. We have seen no logical, rational, argument against turning over the facilities.

(2) Both Loudoun and Fairfax County are experiencing phenominal growth. A focal point for this explosion is the Washington Dulles area witness the prospective location of a Commonwealth Technology Center and countless business and commercial enterprises in the region. We should be permitted to integrate the growth and operation of Dulles into the overall plan for this region, without the intervention of the Federal government.

(3) Continued Federal ownership and control of Washington Dulles sustains an ever more complex political problem, and inhibits planning for future growth. Does the Department of Transportation know or care, what is of interest to those of us guiding Virginia's growth? And, even if there were some benefit to be gained from having the Executive Branch of the Federal government involved, can appropriate actions be taken when these actions are inevitably colored by politics?

(4) Without local and state control over these facilities we are blunting private initiative in this region. For example, I am supporting a private plan for providing rapid rail transport from Washington Dulles into the Washington metropolitan area. Based on past experience, we have seen that the Federal Government has been unable to effect ANY mass transport improvement based at Dulles during the past 10 to 15 years.

Mr. Chairman, as you will note my comments concentrate on Washington Dulles airport and not on Washington National. This is natural because Washington Dulles is my District. Yet, many of the arguments supporting immediate transfer from the Federal government apply to both airports. There are some aspects of the present bill which are being discussed, and on which I have strong feelings although they do NOT apply to Washington Dulles. For example, as a former Air Controller I am shocked at how quickly we can forget the tragedy of Air Florida and argue for no ceilings on flights into National Airport. It takes no expert opinion to note the airport is located in the center of a congested metropolitan area. Safety dictates keeping the ceilings.

On the other hand, my arguments concerning state and local control over Dulles are motivated, at least in part, by my belief that we can push through innovative and viable mass transit options more quickly if we have the ability to work with private interests, rather than with the Federal government. We must have vast new parking areas in Dulles—a start would be a lot or lots holding 5,000 cars for the public. We must have mass transit from Dulles into Washington—a start will be rapid rail. These are not just luxuries, neat ideas which we can bandy about for years, they are critical needs for thousands of individuals in the Washington Dulles region who are trying to cope with an inadequate, dangerous, road network.

Mr. Chairman, I thank you for the opportunity to submit this testimony. My hope is that you and your colleagues will see fit to let us learn from our own mistakes, and to benefit directly from our own initiatives by supporting this bill.

STATEMENT OF KENNETH R. SCOTT, EXECUTIVE DIRECTOR, NORFOLK PORT AND INDUSTRIAL AUTHORITY

I am Kenneth R. Scott, Executive Director, Norfolk Port and Industrial Authority. The Authority owns and operates Norfolk International Airport which serves the air transportation needs of Southeast Virginia and Northeast North Carolina.

I am submitting this statement in support of S. 1017 which provides for the transfer of the Metropolitan Washington Airports to an independent local airport authority. We believe that the efforts of Secretary Dole, the Administration and Governor Holton's Commission have produced workable legislation which will provide an effective long-term means of utilizing the full capabilities of both National and Dulles Airports.

Norfolk travelers (both military and civilian) heavily rely on National Airport and Norfolk has long been a supporter of effective use of that vital facility. The proposed legislation will make it possible to have expanded and modernized facilities at both National and Dulles and proper use of both facilities together with Baltimore-Washington International Airport in meeting the area's air transportation needs.

This legislation will also take the operation of these airports out of the national political arena and let them be more fully responsive to the needs of airport users

including Norfolk travelers. In this connection, the State of Maryland should not be concerned that this legislation would result in excessive promotion of Dulles. There are many users like the Norfolk travelers whose interests lie more with National than Dulles and who will want to insure that both airports are developed and used on an evenhanded basis. Once these airports are placed in conventional operational mode, market forces are much more likely to control their use than is the case in today's artificial government ownership environment. Norfolk, which also has substantial traffic to BWI, believes that a market oriented environment will in the long run work to the best interests of all three airports and will be the most effective way to insure their proper development and responsiveness to the needs of the traveling and shipping public.

Finally, the proposed legislation is in clear furtherance of Administration policy in transferring governmental functions to state and local control wherever feasible. There is no valid reason why two of the nation's major airports should continue to remain exceptions to the pattern of local airport control which has worked so well throughout the rest of the nation.

For these reasons, Norfolk fully supports the proposed legislation and urges that it be enacted as promptly as possible.

STATEMENT OF COL. LEONARD L. GRIGGS, DIRECTOR OF AIRPORTS, ST. LOUIS, MO

I am Col. Leonard L. Griggs, Director of Airports, St. Louis, MO. The City of St. Louis owns and operates Lambert-St. Louis International Airport, one of the nation's leading connection hubs and a major mid-west gateway. St. Louis currently has substantial operations to both Washington National Airport and Baltimore-Washington International Airport.

I am submitting this statement in support of S. 1017 which provides for the transfer of National and Dulles airports to an independent local authority. In my opinion, the efforts of Secretary Dole, the Administration and Governor Holton's Commission are to be commended. They have produced workable legislation which will solve the problems inherent in federal ownership of these facilities and will make it possible for the full capabilities of both National and Dulles as well as BWI to be utilized on a long-term basis.

St. Louis has long had heavy reliance upon National Airport since much of the travel in the St. Louis-Washington, D.C. market is business-oriented and appreciative of the convenience of National's facilities. The proposed legislation will clearly facilitate the provision of expanded and modernized facilities at both National and Dulles and the proper use of both facilities in meeting the needs of the traveling and shipping public.

At the same time, the legislation should in the long run benefit BWI as well as National and Dulles by enabling the use of the Virginia-based airports to be governed by conventional market forces rather than an artificial governmental ownership environment. Market forces (such as the needs of St. Louis travelers as well as many others) will dictate substantial continued use of both National and BWI as well as Dulles. Excessive promotion of Dulles is much more likely in a federal government ownership mode. A market oriented environment should work to the best interests of all three airports by insuring that they develop in response to the actual needs of the traveling and shipping public.

I also believe that the proposed legislation is consistent with the basic objectives of deregulation and with the Administration's policy of transferring federal governmental functions to state and local control. Local control has worked well in the management of airports throughout the country and there is no valid reason why it should not also work in the Washington, D.C. area.

Accordingly, St. Louis supports the proposed transfer legislation and urges that it be enacted in an expeditious manner.

STATEMENT OF THE ARLINGTON CHAMBER OF COMMERCE

The Arlington Chamber of Commerce [Chamber] is a non-profit corporation, established in 1924, representing the interests of over 1500 individual members and firms. The Chamber submits these comments for the record in consideration of S. 1017, the "Metropolitan Washington Airports Transfer Act of 1985", which would create a regional airport authority to acquire Washington National and Washington Dulles International Airports from the Federal government.

The proposed Federal legislation incorporates the recommendations of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports

[Holton Commission], which submitted its recommendations to U.S. Department of Transportation Secretary Dole in January of this year. The authority would be a non-profit, tax exempt entity and would be able to raise funds through the issuance of revenue bonds. Based on the Holton Commission's recommendations, Virginia enacted legislation that would allow the State to participate in the regional airports authority and the District of Columbia is expected to follow suit shortly. As proposed, this legislation would empower the authority to operate the two airports. The governing board of the authority would consist of 11 members: 5 from Virginia, 3 from the District of Columbia, 2 from Maryland and 1 appointed by the President.

The Chamber endorses the transfer of control of the airports to the compact and encourages the Subcommittee to report favorably S. 1017 to the full Commerce Committee. First, the transfer would place the governance of the airports with an authority on a par with those operating major airports in the rest of the country. National and Dulles Airports remain the only commercial airports operated by the Federal government. The transfer to the regional authority will allow for the development of stable policy and proper long range planning. This is essential to the continued economic vitality of the communities surrounding both airports. Members of the Chamber, as well as other members of the Arlington business community, have made substantial investments in this region, and the Chamber wishes to ensure that future investments in the National Airport area are not jeopardized by the uncertainty and shifts in policy that have characterized Federal control of the airports.

Second, the transfer of control represents the most effective way to finance the improvements to the terminal, ground access, and parking facilities at National Airport and the construction of the mid-field terminal at Dulles Airport.

History clearly has shown that Congress is unlikely to appropriate the funds necessary for these capital improvement projects. Preliminary estimates by the Federal Aviation Administration indicate that the improvements at National and Dulles would total approximatley $350 million. Transfer of the airports from Federal control to the proposed regional authority, under reasonable and appropriate conditions, will allow National to receive the capital improvements it desparately needs and will foster the continued growth of Dulles Airport.

The financing and other resources necessary to achieve these goals simply have not been forthcoming from Congress and, in this era of large budget deficits, probably will not be forthcoming. In contrast, the regional authority, with revenue raising authority, would be equipped to address needs at both National and Dulles. A report by Salomon Brothers and Wheat, First Securities to the Holton Commission found that a regional airport authority issuing bonds backed by airport revenues could fund the proposed improvements at both airports.

National Airport plays an integral role in the economic well-being of the communities that surround it, including Arlington County. Kurth & Company, Inc., an aviation/economic consultant, recently completed an economic assessment of the impact National Airport has on the economy of Arlington.[1] This study reviewed both direct and indirect effects of the airport on the County and quantified and segregated the economic impact on Arlington across several factors, including: hotel revenues, restaurant revenues, retail sales revenues, office/commercial revenues and local employment.

Kurth & Company, Inc. conservatively estimates that in 1984 National Airport contributed $2.4 billion to the region's [2] economy, a contribution which will grow to over $3.6 billion annually by the year 2000. Arlington's portion of that $2.4 billion is approximately $670 million, growing to over $1 billion in the year 2000. Further, National Airport is a sizeable business entity in its own right, employing over 7,000 persons. This contribution to the County becomes all the more significant when it is remembered that the more mature economies of the localities surrounding National Airport experienced a real downturn in recent years and, although recovering, are growing much more slowly than are other areas. A variety of public and private investment in an near Dulles International Airport will assure its continued growth and the growth of the economies surrounding it. Arlington County needs sustained airport operations if it is to retain a sound base for gradual economic expansion.

Billions of dollars have been invested and thousands of jobs have been created in support of the government and business/commercial infrastructure dependent on National Airport for its business and economic survival. Much of that investment has occurred in Arlington County. Leaving the airports under Federal control allows for unilateral actions by the Federal government to reduce the aviation and

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[1] Commissioned by the Coalition for National Airport, Volume II, June 1985.

[2] Arlington, Alexandria and the District of Columbia.

business activity that is vital to our economy. Such actions would not only adversely affect the business community, but would undermine confidence in the continued expansion and dynamism of Arlington County and the region.

As an example, Arlington relies heavily on the airport to bring business travelers and tourists to our town. It is estimated that the "average" business and meeting attendee, the groups which constitute approximately ⅔ of the hotel business, spends over $175 per day in Arlington during each of a 3 night stay. Further, although Arlington is, geographically, the second smallest county in the United States, the U.S. Travel Data Center reported that for six years in a row (through 1983) travelers have spent more money in Arlington than any other county in Virginia or Maryland. These dollars are critical to the survival of hotels, restaurants, taxi cabs, convention services businesses and innumerable retail operations.

Equally significant is the fact that our current system of air transportation facilities, National, Dulles and BWI Airports, makes Arlington County, specifically, and Northern Virginia, generally, one of the more desirable areas for conventions, meetings and seminars and is the site for many businesses that are relocating their operations. In addition to a host of government and private facilities, including proximity to the Nation's Capital, Arlington County affords excellent services and amenities to new, existing and expanding companies, which in turn lease commercial office space, house their visiting employees in metropolitan Virginia suburban hotels, and bring workers and employment opportunities to the area, further multiplying the positive effects for Arlington County and Northern Virginia. However, without a dynamic National Airport to serve the region, Arlington quickly would find itself at a severe competitive disadvantage to outlying areas more easily served by BWI and Dulles.

In the four and one half decades since National Airport first opened, the Federal government largely has not undertaken the actions necessary to maintain National Airport as an accessible, modern airport. Regardless of the level of activity of National, it requires capital improvements to its physical plant as well as the roadway systems surrounding the airport and on-airport parking facilities in order to better handle the passengers who utilize it. Such improvements would serve the best interests of not only the users of the airport but the communities surrounding the airport and the airlines operating at National.

The regional airport authority offers a unique opportunity to make necessary improvements at National and to construct new facilities that are necessary at Dulles at a time when the Federal government is not inclined to do so. The Chamber and its members support the Congressional legislation which will transfer the airports to the interstate compact already authorized by the Virginia General Assembly, and under consideration by the Council of the District of Columbia. We urge the Subcommittee and Congress to act favorably and expeditiously to enact S. 1017.

FACT SHEET.—TRANSFER OF THE METROPOLITAN WASHINGTON AIRPORTS

On April 22, Secretary of Transportation Elizabeth Hanford Dole sent to Congress proposed legislation to implement the transfer of Washington National and Washington Dulles International Airports from federal to local control. The legislation conforms to the recommendations of the Holton Commission that the airports be transferred to an independent regional authority to be created by Virginia and the District of Columbia. The plan recommended by the 15-member commission represents a consensus of a majority of the Washington area communities and aviation groups that use the airports. The following provides background information on the proposed transfer.

Who runs National and Dulles today?

Washington National and Washington Dulles International Airports are operated by an agency known as the Metropolitan Washington Airports, a division of the Federal Aviation Administration, Department of Transportation.

How did the federal government come to operate the airports?

National Airport was built by the government in 1940 to replace an inadequate facility. Because the government operated National, in the 50s it planned and built the second Washington airport.

Why does the government want to transfer the airports? Aren't they profitable?

All other U.S. air carrier airports are run by state or local public agencies or authorities. Federal control is neither necessary nor appropriate. Federal officials should not involve themselves in the day-to-day operation of airports any more than they are involved in local transit or highway operations. The federal government

has just succeeded in transferring the Alaska Railroad to state control for similar reasons.

Most U.S. airports recover their costs—both operating expenses and long-term capital costs—through rates and charges to airlines, concessions and other airport users. The same is true at the Washington airports. While the airports are currently bringing in revenues in excess of operating expenses (about $15 million in excess last year), the accumulated excess revenue has not yet covered all the capital costs paid for in past appropriations to the airports. Had the airports been run like others, borrowing money instead of using direct appropriations, they would still be about $47 million in debt. Also, some costs, such as a part of the cost of employee retirements, are not counted as an expense in determining rates and charges, and are therefore subsidized by the Treasury.

If the airports are not transferred, they should be able to repay the $47 million in several years, but substantial capital improvements would have to be started within that period. This would increase substantially the $47 million "hypothetical debt" and would result in a negative cash flow to the Treasury for a number of years.

What will the transfer cost the District and Virginia?

Nothing. Like most others, the Metropolitan Washington Airports will be self-sustaining, and will pay the costs of transfer and future improvements by adjusting their rates and charges to cover debt service on revenue bonds the authority will issue. Virginia and the District will not have to guarantee these bond issues.

Who would operate the airports after transfer?

The proposal is to transfer them to the "Metropolitan Washington Airports Authority", an independent agency to be created by the Commonwealth of Virginia and the District of Columbia. Virginia has already enacted the necessary legislation; the District of Columbia Council is now considering identical legislation.

The authority would be independent of the two governments that create it. It would be governed by a board of eleven members, five appointed by the Governor of Virginia; three by the Mayor of the District of Columbia; two by the Governor of Maryland; and one by the President, subject to the advice and consent of the Senate. They would serve staggered six-year terms, would not be paid, and could not hold public office. All but the President's appointee would have to reside in the Metropolitan Washington area.

Why isn't Maryland an equal partner in setting up the new Authority? Shouldn't Baltimore-Washington International Airport (BWI) be included in the transfer?

Both Dulles and National are located in Virginia, and most of the passengers using them are traveling to or from the District of Columbia and Virginia. The Maryland representation is roughly proportional to the number of passengers traveling to and from Maryland.

The Maryland members of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports (Senator Paul Sarbanes, Congressman Steny Hoyer, State Aviation Administrator James Truby and Montgomery County Councilmember Scott Fosler) all agreed that transfer of BWI, which is owned by the State of Maryland, is not possible.

Why isn't the government planning to sell the airports? Don't they have an appraised value in excess of $300 million?

The properties the airports occupy may have a value well in excess of $300 million—if they were to be used for something other than airports. Since air carrier airports are all owned by public authorities, there have not been any transfers of major air carrier airports, and there is consequently no agreed-upon approach for determining their value.

As mentioned above, the Metropolitan Washington Airports have been recovering their expenses, both long and short-term, over the years, from charges to airport users. A substantial sales price would force the authority to go further into debt and increase user fees to cover this increased cost. The users have already repaid the governments investment in the airports, except for the last $47 million, which will be paid under the terms of the transfer. The users should not have to pay twice.

Isn't there considerable excess land at Dulles that could be used for commerical development?

The Dulles property includes a large buffer area, as well as some land reserved for future expansion. Under the transfer bill, if the Secretary determines during the thirty-five-year lease period that any portion of its land is used for other than airport purposes, that land will revert to the federal government.

At the termination of the lease, a second review of the use of airport land will occur, and any land not then in use for airport purposes will be retained by the government.

What will happen to the rules governing operations at the airports—in particular, the Metropolitan Washington Airports Policy?

Basically, rules that are "proprietary" in nature, that is, rules that other airports could impose on their own, would transfer to the authority. They would remain in effect unless the authority's board of directors changes them. Air traffic and airspace rules would remain with the FAA.

Thus the airports authority would be responsible for the perimeter rules, which prohibits nonstop flights of more than 1,000 miles to or from National, and the nightime noise rule, which prohibits noisier aircraft from operating at night. The Administration bill originally proposed to freeze the nightime rule, but the sponsors have agreed to transfer it to the uthority, which could amend it.

Thw FAA would continue to be responsible for the so-called High Density Rule, which establishes the number of air carrier flights that may be scheduled at National. It would also be responsible for approach and departure flight paths and operational procedures.

The provision of the High Density Rule that would require that reduction in the number of flights at National when annual passenger levels exceed 16 million (the "cap") could not be transferred to the new authority because it is part of an air traffic rule. Instead, the transfer legislation freezes the number of flights permitted under the High Density Rule at the current level of 37 per hour between 7 a.m. and 10 p.m.

What effect will the transfer have on noise levels?

The slot freeze will guarantee that noise levels around National will continue to decrease as quieter aircraft are added to the fleet.

The authority will not have the power to affect flight operations at National. It could not, for example, implement a scatter plan. Such matters will remain under FAA control.

What effect will the transfer have on the airports themselves?

An independent authority will be able to finance improvements to both airports relatively quickly, raising capital from private sources by selling revenue bonds.

At Dulles, the most likely major development would be a new midfield terminal to accommodate the rapidly growing demand there. More parking would probably be provided as well.

At National, the terminal would probably be refurbished, the roadway network improved, adequate parking provided and a connector built to the Metro station.

Why doesn't the federal government provide for improvements at the airports?

Major capital improvements would require substantial appropriations that would increase the deficit. When weighed against other budget priorities, projects at the airports are commonly deferred.

What effect will the transfer have on airline service?

The freeze on the number of flights at National will mean that present service patterns there will be protected. At Dulles, construction of a new midfield terminal should mean significant increases in the number of flights and points served.

What effect will the transfer have on airport employees?

The transfer legislation requires that the authority retain all employees at a minimum in their present positions and at their present salaries for at least two years. Because the Metropolitan Washington Airports workforce is one of the most efficient, major changes would not be likely even after the two years expire. Leave would carry over, equivalent health and life insurance programs would be provided, and present employees would remain in the federal pension system.

What effect will the transfer have on the safety of operations at National?

None. The bill pointedly preserves the FAA's authority and prerogatives at the two airports to carry out its aviation safety role in the same manner as it does at any other airport, without regard to whether management is in federal or local hands.

What is the status of the Administration's proposed bill?

It was introduced in the Senate on April 26 as S.1017 by Sen. John C. Danforth, Mo., and Virginia Senators John W. Warner and Paul S. Trible, Jr., and has been referred to the Subcommittee on Aviation, Committee on Commerce, Science and Transportation. A hearing will be held in late June.

The bill was introduced in the House as H.R.2337 by Rep. James J. Howard, N.J., and Rep. Gene Snyder, Ky. Virginia Representatives Frank R. Wolf, Stan Parris and French D. Slaughter have been added as sponsors. It has been referred to the Subcommittee on Aviation of the Committee on Public Works and Transportation.

What control will the federal government have over the airports' operation in the future, if any?

The proposed legislation would provide for a 35-year lease of the airport properties, as recommended by the Holton Commission. The bill requires numerous lease conditions to assure that the airports are operated in the public interest.

If the lease terms are violated, the Attorney General or any other "aggrieved party" can sue in federal court for their enforcement. Congress, of course, will retain an oversight role through the lease arrangement to assure the successful achievement of the goals of the legislation.

Will transfer mean major expansion of National?

No. As mentioned above, the number of air carrier flights would be frozen. Given this limit on traffic growth, the authority could not justify improvements to the terminal that would constitute a major expansion of the facility. The only major expansion would be at Dulles.

Will widebody aircraft be able to operate at National after transfer?

The FAA establishes air safety criteria nationwide that govern the operation of all aircraft types into every type of airport. The transfer bill will not affect this FAA role. Therefore, National and Dulles will continue to be subject to the same FAA review as other airports with respect to the introduction of new aircraft types.

The FAA has reviewed the operation of widebodies at National and rejected it for safety reasons. Technology in this area has not changed significantly, and there does not appear to be any reason to change this decision in the foreseeable future.

What position have the airlines taken on the bill?

After expressing initial reservations about the nighttime noise rule and the slot freeze, the Air Transport Association, which represents most U.S. air carriers, endorsed the bill. The ATA is interested in a single amendment, a compromise measure that would turn over to the new authority the right to amend the nighttime noise rule. As mentioned above, the bill's sponsors have agreed to the amendment because the authority would be able to amend the rule either to increase or decrease the number of night operations.

What positions have local organizations taken on the bill?

Those that we have heard from all support transfer, but some have reservations about the bill. Business organizations, such as the Board of Trade and the Coalition for National Airport, took exception to any restrictions on growth in traffic at National. They nevertheless support the bill. Some community groups are concerned particularly with the termination of the passenger cap and some incidental effects of the transfer, such as a change in the applicability of the National Environmental Policy Act (NEPA) and the jurisdiction of the National Capital Planning Commission (NCPC).

NEPA will apply to the new authority on the same basis it does at all other airports—when its activities require federal "action", that is, federal funding or federal approvals. Since the airports are now federal, all actions are subject to NEPA environmental review. In the future, the airports will be eligible for federal-aid funding under the Airport and Airway Improvement program, and will thus require NEPA environmental review for major projects.

The NCPC is a planning agency that reviews plans of federal agencies. The transfer bill preserves its jurisdiction with respect to changes to the Potomac shoreline or to the Dulles terminal. Some community groups have asked that its jurisdiction be preserved in full.

STATEMENT OF THE NATIONAL BUSINESS AIRCRAFT ASSOCIATION, INC.

The National Business Aircraft Association, Inc., [NBAA] whose membership consists of more than 2,900 companies which own or operate aircraft in support of their principal business purposes, wishes to record its endorsement of S. 1017 and urges early action by the Congress to implement it.

A senior member of NBAA's staff served as a member of the special commission which was named in 1984 by the Secretary of Transportation to bring forth recommendations on the matter. Through active participation at each step of the way NBAA is accordingly aware of the various arguments for and against transfer.

As a result we believe the Commission's Report, which has been faithfully translated into legislative proposals, is the best long term solution to the question of ownership and management of National and Dulles airports.

Further, NBAA feels that the provisions which the bill makes for carefully examining progress and acutal operating conditions during the term of an extended lease arrangement constitute a valuable "insurance policy" whose terms can be invoked if for some reason the transfer process does not work out satisfactorily.

We would like to place special emphasis on a few key elements of the bill:

(1) We fully endorse the provisions of Section 7 which guarantee that the properties will be used only for airport purposes.

(2) We endorse that portion of Section 7 which guarantees that all facilities of the airports will be available to the public, "including commercial and general aviation" during the lease term. We take particular note that this provision calls for use of facilities "on fair and reasonable terms and without unjust discrimination."

(3) We feel that a term of 35 years is fully sufficient to satisfy the Congress, the public and the users of the airports as to the initial wisdom in making the transfer. We further feel that the makeup of the proposed Airports Authority will produce balanced and rational policies governing operation of National and Dulles.

NBAA stresses its belief that transfer of the operating authority of the airports will result in their being improved much more extensively and rapidly than would be the case under continued Federal operation. It is frustratingly obvious that National Airport's terminal, parking and landside access problems are very severe. That major improvements have not been undertaken is in our view a direct result of the politicized state in which the airport is currently held, a state which results in inaction.

As more and more commercial and business aviation traffic utilizes Dulles, because of growth in demand more than of shift from National, the urgent need for substantial improvements at Dulles becomes apparent. Business aviation's future growth will best be accommodated at both airports through the proposed legislation.

Finally, we wish to record our deeply felt belief that National and Dulles airports in reality constitute a single resource. Their future development must be accomplished on an integrated policy basis which considers how the missions of the two airports can on a unified basis best serve the needs of the region. For this reason we feel very strongly that a transfer from Federal operating authority must necessarily involve both airports. They are, to us, inseparable.

NORTHERN VIRGINIA PLANNING DISTRICT COMMISSION,
Annandale, VA, July 6, 1985.

Hon. JOHN C. DANFORTH,
Chairman, Commerce, Science and Transportation Committee, Washington, DC.

DEAR SENATOR DANFORTH: The Northern Virginia Planning District Commission (NVPDC), the comprehensive substate regional planning agency for Northern Virginia, takes this opportunity to comment on S. 1017, Transfer of Airports, wholeheartedly supporting the proposed transfer of the Metropolitan Washington Airports (MWA) to a regional authority. The NVPDC endorses the transfer options embodied in the current legislation as equitable measures to promote a consensus among the competing interests whose livelihoods are influenced by the operation of these airports.

The NVPDC believes that the transfer of the MWA from management by the Federal Aviation Administrtion to a regional authority would create an institutional arrangement more conducive to serious consideration and a balanced transportation system for the region in general.

The NVPDC considers it most important that the two airports continue to be operated under a single entity so that consistent policies will be carried out to enhance the individual roles of the airports, with Washington Dulles International having the role of the primary air carrier airport from which international and long-haul flights will operate, and Washington National Airport serving as the short-haul airport for the region.

Thank you for this opportunity to comment. We will continue to follow the progress of the transfer legislation with interest.

Sincerely,

PATRICIA S. TICER, *Chairman.*

OLD TOWN YACHT BASIN, INC.,
Alexandria, VA, July 6, 1985.

SENATE COMMERCE COMMITTEE,
Hart Building, Washington, DC.

GENTLEMEN: Because all of our efforts to appear at scheduled heaings on the above referenced Bill have been effectively rebuffed by your various people, we take this last and only offered opportunity to put our views again before you. We presented them at greater length before the former Virginia Governor Holton and his assembled Commission, and while its members seemed to comprehend what we told them, and what we repeated in even greater detail to Secretary Dole's counsel at

their request, apparently the Governor and his Commission for the most part has decided to close their eyes and ears.

We have spent 22 years and untold amounts of money on local and historical research in connection with the defense of our property rights drawn into conflict by many of the same laws and their consequences which should rightfully be recognized, even if belatedly, as more laws are even now contemplated which continue the contravention of older and simpler laws which are an important part of our American heritage.

First it should be understood that substantially, the National Airport is in the District of Columbia, notwithstanding certain provisions of the 1945 Act so seriously relied upon, to the contrary which cannot stand close scrutiny, or as a matter of fact any scrutiny at all.

Second all of the present territory comprising the District of Columbia was ceded solely by Maryland pursuant to provisions contained in the Federal Constitution, and agreement reached thereafter.

Third all public government in this country should divest itself of any proprietary interest in public buildings of whatever nature, on the Virginia side of the Potomac River as is mandated by 1 stat 130 as amended by 1 stat 214 which provisions brought on the retrocession of 1846 and caused Secretary of War Cameron such great distress in 1861, that he caused a map to be published in accordance with a plan for "recapturing" that part of the District of Columbia which had just been retroceded to Virginia a few years earlier. Aside from re-constituting the ten-mile square (which it did show), the map showed a westward movement of Maryland's boundary to a line deep within Virginia, running from the vicinity of Lynchburg and in the direction of Winchester; the purpose was to once and for all eliminate the troublesome legal burdens then fully recognized.

We, in our related travail, have over the years, presented the relevant material to various Virginia Courts, in defense of our property interests in Virginia, and for the last dozen or more years in the Federal Courts in the District of Columbia (see Case No. 1072-83 briefs in The U.S. Court of Appeals for the District of Columbia Circuit in which the Court issued a memorandum opinion) for an overview of the questions presented by the historical facts.

Our long parade of lawyers over these past 22 years have by concensus concluded that the earlier and far simpler laws passed by Congress are valid and outstanding, while later passed Congressional acts such as the 1927 Act (44 stat 1176), and the all too familiar 1945 Act have contradictory provisions which cannot weather close scrutiny, or practically and scrutiny whatsoever for that matter, in view of the many prior decisions on the identical questions raised and decided in the Supreme Court of the United States.

Yours truly,

JOHN CHAPMAN GAGER,
Assistant Secretary.

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
Washington, DC, July 9, 1985.

To: Honorable Paul Trible.
From: John W. Fischer, Analyst in Transportation, Economics Division.
Subject: Questions on the Financing of Baltimore-Washington International Airport [BWI].

This memorandum responds to the questions raised by your letter of July 2, 1985, as further defined by our subsequent phone conservations. The majority of the information provided in this memorandum was obtained through phone conversations with Maryland State Aviation officials, principally Nelson Ormsby, (301-859-7071), on July 5th and 8th, 1985. Additional background on the airport sale in 1972 was obtained by reading relevant issues of the Baltimore Sun (available in microfilm form in the Library of Congress Newspaper and Current Periodical Reading Room).

AIRPORT SALE AND TRANSFER

The airport that is now Baltimore Washington International (BWI) was opened in 1950 as Friendship International Airport. The airport was constructed by the city of Baltimore to replace the obsolescent Harbor Field in Dundalk as the city's principal air carrier airport. Costs associated with Friendship's constrruction amounted to approximately $15 million.

During two decades of city operation, the airport was never a major profit earner. By the early 1970s, it was clear that the city could only continue to operate the airport with great difficulty. The general increase in air travel in the 1960s, coupled with the introduction of jet aircraft, overburdened Friendship's facilities. The city did not have the financial resources to fund a major upgrade of the airport terminal and related improvements.

The response to this problem was the formation of an airport authority in 1970. This authority was established with both State and city participation. The authority was required to make annual payments to the city of $1.4 million from airport profits. The airport authority was never able to make these payments during its 18-month existence.

After considerable debate at the city and State level, ownership of the airport was transferred to the State in the summer of 1972. Operation of the airport was transferred from the airport authority to the Maryland Department of Transportation [MdDOT]. To effect the transfer, the State purchased the airport from the city for $36 million. The city was required to use these funds for capital improvements. These funds were used as seed money for the now-accomplished renewal of the Baltimore Inner Harbor and for similar projects throughout the city.

The State financed this purchase by issuing State general obligation bonds that the legislature had authorized. The purchase price was based on an assessment by the State that the city had a net investment of $30 million in the airport. This included the airport's original construction cost. The additional $6 million was negotiated by the city and State and could be regarded as a closing cost or sweetner to confirm the deal.

STATE OPERATION AND FINANCING OF BWI

One of the State's first actions after purchasing the airport was to change its name to BWI. The MdDOT then formulated an overall plan for the development of the airport as a regional transportation facility. The major project undertaken since the State assumed ownership and control was the construction of a new terminal and related groundside facilities. This was accomplished between 1976 and 1979 at a cost of $63 million.

Since the State purchased the airport in 1972, it has made a total investment of approximately $184 million. This total consists of: Federal airport assistance funds of $33 million, the purchase price of the airport set at $35.7 million (the airport has returned $0.3 million to a State sinking fund), and $116 million in State funds from MdDOT consolidated bond issues. Maryland was one of the first States to establish a consolidated trust fund for its transportation activities. This trust fund is derived from State motor fuel taxes, vehicle registration fees, and several other smaller sources. The guaranteed income from the trust fund has allowed the State to issue consolidated transportation bonds against it with consistently high ratings. Moody's Investment Service, for example, currently rates MdDOT consolidated bonds at Aaa.

During the first several years of State ownership, the airport operations produced a significant annual net loss. These losses were covered by MdDOT consolidated operations funds, drawing on the trust fund. It is only within the last few years that BWI is thought to have operated on a break-even basis. The use of the consolidated system for funding operation of MdDOT's varied activities makes exact accounting of airport only activities difficult to determine.

BWI has been experiencing significant and steady traffic growth since deregulation of the airline industry in 1978. Piedmont's decision to establish a hub at the airport has brightened the airport's propsects for the years ahead. As a result, BWI is expected to be a net contributor to the MdDOT consolidated trust fund within the next year.

ADDITIONAL COMMENTS

BWI's recent success in attracting new traffic has improved the short- and long-term outlook for the airport. Continued growth, however, will place heavy demands on the airport's existing facilities and will necessitate further investment in capital plant. One area of particular concern to the airport is the runway layout. Although the current layout was state-of-the-art in 1950, its converging runways are not the best arrangement for hub-style jet operations. It is expected, therefore, that BWI will have to invest heavily in a new parallel runway and related improvements in the not-too-distant future.

COMMITTEE FOR DULLES,
Washington, DC, July 10, 1985.

Hon. PAUL S. TRIBLE,
Hart Senate Office Building, Washington, DC.

DEAR SENATOR TRIBLE. Re: S. 1017 Airport Transfer Bill.

The Committee for Dulles which has supported the full utilization of the Washington Dulles International Airport and the growth of the surrounding area for almost 20 years, urges the enactment of the above referenced legislation. This is a particularly appropriate time to take this important step to assure the continued orderly growth of the local airports.

Both airports, i.e., National and Washington Dulles, require the investment of substantial funds. It is unlikely that at this stage of Federal deficits, that Federal funds will be available. However, Virginia is willing to make those investments. But to make such investments on a sustaining basis it is necessary that both airports be transferred together.

The transfer would also correct an aberration in U.S. air policy. It would return the airports to local control as is true of all other major air transport airports. There is no greater Federal interest in the local airports than there is in DWI. The transfer would also reduce Federal intrusion in local affairs which is the avowed policy of the Reagan Administration.

We urge the adoption of the transfer bill as soon as possible.

PAUL REIBER, *President.*

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